THE BUSINESS OF GAMING

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Rank Group

Our aim is to create fun and enjoyment for our customers through gaming-based leisure experiences.

We recognise our responsibility to act at all times with consideration for our people, our customers and the communities in which we operate.

For further information visit:
www.rank.com/investor

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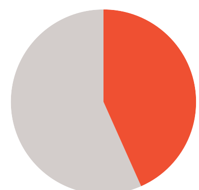
Our businesses

Mecca Bingo

Mecca Bingo is a leading operator of bingo clubs. The business is headquartered in Maidenhead, England and operates clubs under the Mecca Bingo brand in Great Britain.

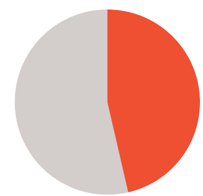
Revenue

£227.6m
2007 : £240.5m



*Operating profit**

£41.8m
2007 : £43.6m

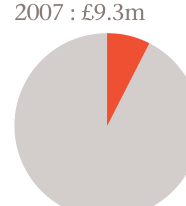


Top Rank España

Top Rank España operates 11 premium bingo clubs in Spain. The business is headquartered in Barcelona and operates clubs in the provinces of Madrid, Catalonia, Andalucia and Galicia.

£35.8m
2007 : £32.3m

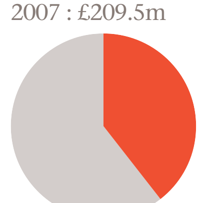
£6.9m
2007 : £9.3m



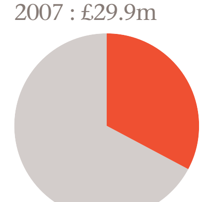
Grosvenor Casinos

Grosvenor Casinos is a leading operator of casinos. The business is headquartered in Maidenhead, England and operates casinos in Great Britain under the Grosvenor and G Casinos brands. It also operates two casinos in Belgium.

£206.2m
2007 : £209.5m



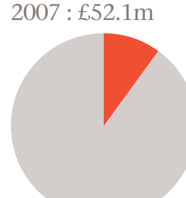
£29.5m
2007 : £29.9m



*Rank Interactive***

Rank Interactive is a remote gaming and betting business, principally comprising Bluesq.com (sports betting, casino, poker and games) and meccabingo.com (bingo). Rank Interactive's primary market is Great Britain, although it also provides betting and gaming websites in Spanish, German, Danish and Swedish.

£52.6m
2007 : £52.1m

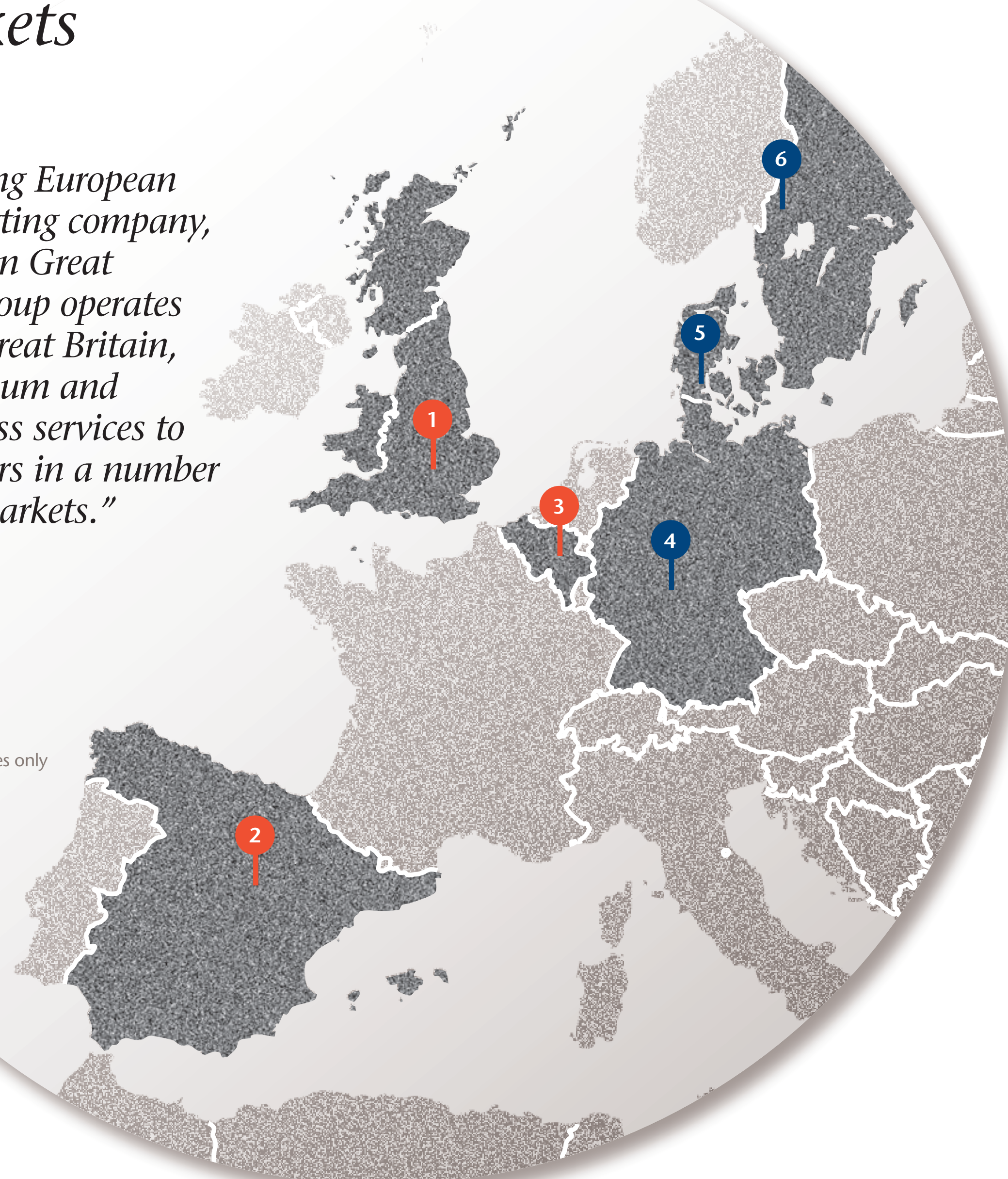


£11.4m
2007 : £10.9m

* Before exceptional items, shared services and central costs.
** Previously reported as Blue Square.

Our markets

"Rank is a leading European gaming and betting company, headquartered in Great Britain. The Group operates businesses in Great Britain, Spain and Belgium and provides business services to gaming operators in a number of additional markets."



1. Great Britain

Mecca Bingo: 102 clubs
Grosvenor Casinos: 32 casinos

Rank Interactive:
– Bluesq.com
– meccabingo.com
– grosvenorcasinos.com
– 888sport.com

Employees: 7,094

2. Spain

Top Rank España: 11 clubs

Rank Interactive:
– bingouniversal.com
– apuestauniversal.com
– 888sport.com

Employees: 613

3. Belgium

Grosvenor Casinos: 2 casinos

Employees: 182

4. Germany

Rank Interactive:
– 888sport.com

5. Denmark

Rank Interactive:
– 888sport.com

6. Sweden

Rank Interactive:
– 888sport.com

Note:
888sport.com is a sports betting website owned and operated by 888 Holdings plc. In return for a share of revenue, Rank Interactive supplies a 'white label' online sports betting service to customers of 888.com through 888sport.com.

Chairman's statement

Financial highlights

£522.2m
REVENUE
2007: £534.4M

£60.3m
GROUP OPERATING PROFIT BEFORE EXCEPTIONAL ITEMS
2007: £68.3M

£40.5m
ADJUSTED PROFIT BEFORE TAX
2007: £46.2M

£226.5m
NET DEBT
2007: £316.9M

6.5p
BASIC EARNINGS PER SHARE (BEFORE EXCEPTIONAL ITEMS)*
2007: 7.3p

7.3p
ADJUSTED EARNINGS PER SHARE*
2007: 7.4p

* From continuing operations.

Peter Johnson
Chairman

A YEAR OF PROGRESS

Key events
- *Revenue stabilised after business disruption in 2007*
- *Significant cost savings achieved*
- *Substantial reduction in net debt*
- *Senior management team strengthened*

2008 was a year of stabilisation for Rank, following the significant disruption in the gaming market during 2007.

We finished the year in significantly better shape than we had started. We steadied average weekly revenue, realised significant operating cost savings across the Group, exited our final salary pension plan and achieved a substantial reduction in net debt.

We strengthened the Group's senior management team, both at an executive level and within our operating businesses; and we focused on delivering enhanced experiences and better value for our 2 million customers by investing in systems that allow us to gain a better understanding of their behaviours and preferences. We will use the information gleaned to improve our products and services.

Board changes

In June 2008, we appointed Paddy Gallagher to the board as finance director. Paddy, who has held a number of senior finance positions in the technology sector, replaced Peter Gill, who left Rank after nearly three years' service. Peter Gill was instrumental in the phase of restructuring that was characterised by the disposals of Hard Rock and Deluxe Film.

In September 2008, we appointed Owen O'Donnell to the board as a non-executive director. Owen has a strong track record in both the gaming and technology sectors, most notably as finance director at Betfair Limited, the betting exchange company.

Dividend

In December 2007, the board took the decision to suspend dividend payments in the light of the difficult trading conditions that Rank had encountered during the second half of that year. Whilst Rank's financial position and trading performance have improved since that point, the wider economic environments in the UK and in Spain have continued to deteriorate. The board has determined not to recommend payment of a dividend in respect of 2008. It remains the board's intention to resume dividend payments in the future, once trading conditions and the market outlook improve.

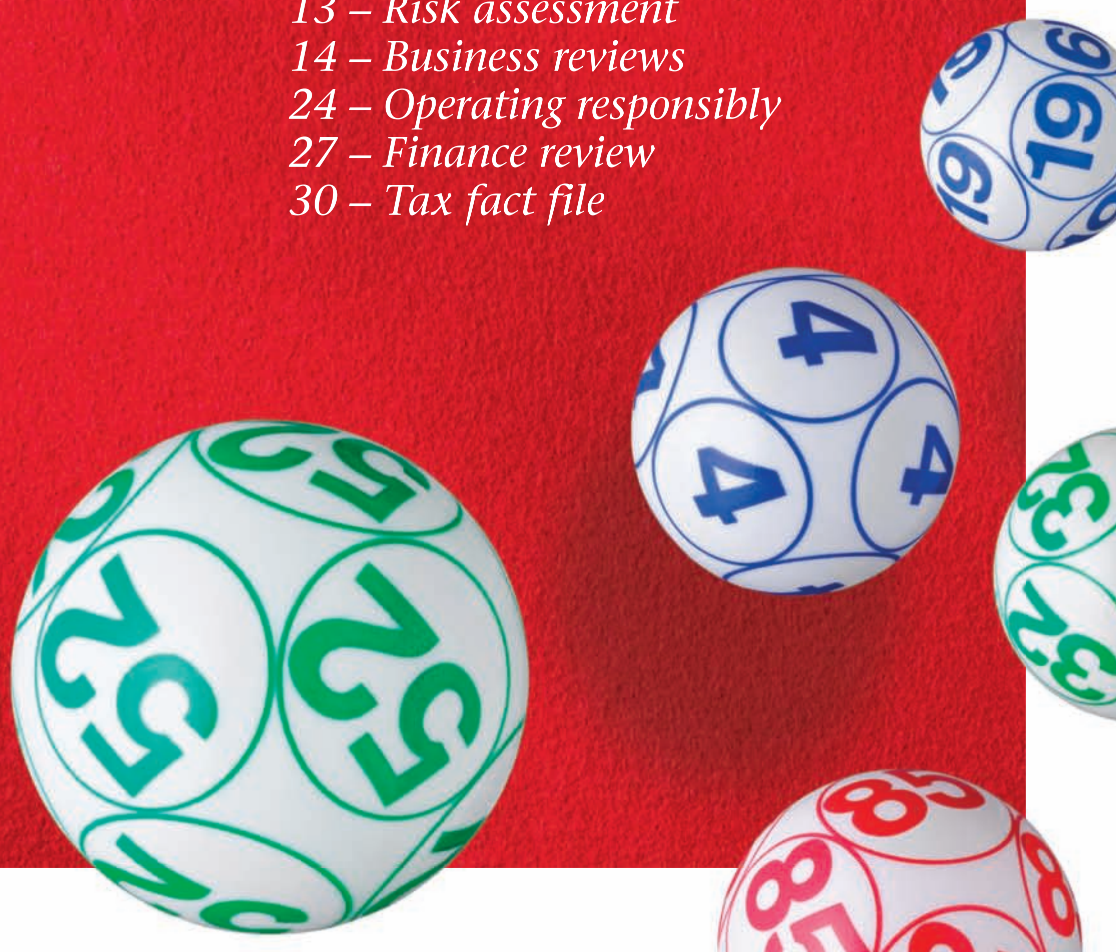
Outlook

The board is encouraged by the progress that the Group has made in 2008 and remains committed to Rank's long-term growth strategy. Nevertheless, we remain cautious on the outlook for 2009 as economic uncertainties continue to affect consumer confidence. In this environment, Rank remains well positioned to balance near term pressures and longer term opportunities through a measured and controlled approach to the management and development of our businesses.

Peter Johnson
Chairman
25 February 2009

PLAYING TO OUR STRENGTHS

A report on the gaming market, Rank's position within the market, the Group's performance, strategic priorities and future potential.



The market THE STATE OF PLAY

Overview

Gambling is an important sector of the leisure market in terms of employment and its broader economic contribution, both in Great Britain and across the world. In recent years, the gambling industry has undergone significant change through regulatory and legislative reform, the rise of the internet and new technologies and a range of economic factors.

This section assesses changes in the British gambling market during 2008. More detailed analysis of the bingo clubs, casinos and remote gambling sectors of the industry are provided within the business reviews.

Size of market

Market research company Mintel estimated that the total amount staked on gambling in Great Britain fell from £65.9bn in 2006 to £60.9bn in 2008, primarily as a result of the weakening macro-economic environment.

Looking ahead, while the near-term outlook for the UK economy remains difficult, declining interest rates and the falling cost of living may result in higher levels of discretionary expenditure during 2009. Against this, the threat of rising unemployment appears to pose the biggest macro-economic challenge to gambling businesses and the wider leisure industry.

Top ten gambling companies by UK revenue

	Revenue (£m)	*Year ending*
Gala Coral	1,269	Sept 2008
Ladbrokes	1,020	Dec 2008
William Hill*	991	Dec 2008
Camelot	595	Mar 2008
Rank Group	471	Dec 2008
Tote	231	Mar 2008
Genting Stanley	227	Dec 2008
Bet 365	160	Mar 2008
BetFred	138	Mar 2008
Betfair	134	Apr 2008

* Estimate of William Hill revenue (Goldman Sachs).

Not all the companies provide geographical breakdowns of revenue. Figures quoted above may include a small amount of non-UK revenues.

Source: Company research.

Attitudes towards gambling

The level of controversy surrounding gambling abated slightly in 2008, possibly as a result of the Government's decision not to progress the Regional Casino.

The media maintained its ambiguous attitude towards the industry, reflecting the wider contradiction between large-scale public participation in gambling (68% of British adults gamble) and a more general public disapproval of the activity (75% of British adults have negative perceptions of gambling).

In 2008, nearly all the major media groups in Britain participated commercially in the gambling industry. National newspapers generated more than £30m through print advertising for betting shops and gambling websites; while many news groups operated or licensed their own gambling websites.

Yet in spite of a growing commercial involvement, many newspapers have continued to villify the industry. In the same year that a major national newspaper ran a series of negative stories on gambling, a sports betting company owned by the same media group proclaimed 'It matters more when there's money on it'.

The contradictory nature of the media's relationship with gambling was illustrated in October 2008, when the Daily Mail criticised the gambling industry in relation to its funding of the Responsibility in Gambling Trust (RIGT).

The Daily Mail & General Trust's absence from the published list of RIGT's donors, in spite of the company's active commercial participation in online gambling, drew accusations of double-standards.

Given that Britain's major media groups exert influence in shaping the nation's political and regulatory landscape, their future attitudes towards an industry in which they have acquired commercial interests is likely to be of significance.

Regulatory change

Following the full implementation of the Gambling Act 2005 (the '2005 Act') in September 2007, there was little meaningful regulatory change for the gambling sector in 2008.

Nevertheless, following criticism that the 2005 Act had damaged the licensed bingo clubs and adult gaming centre sectors, the Department for Culture, Media & Sport launched consultations on two proposed amendments to gaming machine regulations:

- Increasing the number of category B3 gaming machines permitted in bingo clubs from four to eight. Following parliamentary assent, this regulation became effective on 4 February 2009.
- Raising the maximum stake and prize limits on category C gaming machines from 50p to £1 and from £35 to £70 respectively. At the time of publication, this proposal had been laid before Parliament, with implementation expected to take place during the first half of 2009.

2005 Act casinos

During 2008, the locations of the 16 new casino licences provided for within the 2005 Act were approved by Parliament. The Government took the decision not to progress the development of the 2005 Act's single 'Regional Casino' (previously awarded to Manchester).

Gaming machine regulations in Great Britain 2008/9

			Stakes and prizes				
Machine category	*A**	*B1*	*B2*	*B3*	*B4*	*C*	*D*
Max stake	Unlimited	£2	£100	£1	£1	50p**	10p
Max prize	Unlimited	£4,000	£500	£500	£250	£35**	£5
			Maximum permitted per licensed establishment				
Regional casino	Up to 1,250 in aggregate						
Large casino	–	Up to 150 in aggregate					
Small casino	–	Up to 80 in aggregate					
1968 Act casino	–	Up to 20 in aggregate				–	–
Betting office	–	–	Up to 4 in aggregate				
Bingo club	–	–	–	Up to 8 in aggregate***		Unlimited	
Adult gaming centre	–	–	–	Up to 4 in aggregate		Unlimited	

* Category A machines are permitted only in the Regional Casino provided for within the 2005 Act. At present the Government has no plans to permit the development of the Regional Casino.

** Maximum stake and prize limits for C machines to be increased to £1 and £70, subject to parliamentary assent.

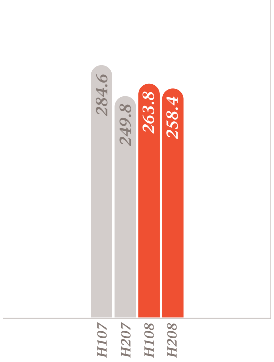
*** Maximum allocation of B3 gaming machines in licensed bingo clubs increase from four to eight, February 2009.

Ian Burke
Chief executive

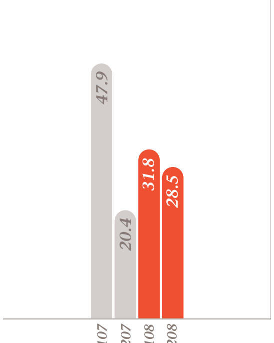
STABILISE AND GROW

"This performance represents a considerable improvement compared with the second half of 2007."

Revenue* (£m)



Operating profit* (£m)



* Revenue and operating profit for the first half of 2008 have been restated to reflect the non-payment of VAT on interval games.

Review of operations

Summary of results

Our financial performance in 2008 reflected the success of our efforts to stabilise the Group following significant business disruption in Mecca Bingo and Grosvenor Casinos during the second half of 2007 (which resulted from the smoking bans in England and Wales and the loss of Section 21 gaming machines under the 2005 Act).

Group revenue and operating profit (before exceptional items) for the year were, respectively, 2.3% and 11.7% lower than in the prior year.

This performance represents a considerable improvement compared with the second half of 2007. Group operating profit for the second half of 2008 was 39.7% higher than in the comparable period in 2007.

In our two largest businesses, Mecca Bingo and Grosvenor Casinos, we achieved significant cost reductions as a result of management actions taken at the end of 2007. These included more targeted marketing and promotional expenditure, greater purchasing and operating efficiencies and better energy management.

In Grosvenor Casinos, revenue of £206.2m was 1.6% lower than in 2007 while operating profit of £29.5m was 1.3% lower. This result included a £1.5m increase in casino gaming duty, relating to tax changes introduced in 2007.

In Mecca Bingo, revenue declined by 5.4% to £227.6m while operating profit of £41.8m was 4.1% lower than in 2007. This performance benefited by £13.0m of revenue and £9.2m of operating profit as a result of successful rulings on a number of VAT claims (see page 8, 'Value Added Tax'). Excluding these benefits, revenue and operating profit declined by 10.8% and 25.2% respectively.

Our Spanish bingo clubs business, Top Rank España, experienced a difficult year as a result of high inflation and weak consumer confidence in Spain. This was mitigated in part by the strength of the euro against Sterling, with revenue growing by 10.8% to £35.8m. Operating profit declined by 25.8% to £6.9m.

Lastly, Rank Interactive (formerly reported as Blue Square) grew revenue by 1.0% to £52.6m, while operating profit increased by 4.6% to £11.4m. The business delivered strong growth in online gaming (principally through meccabingo.com) but the performance of the Blue Square sports betting operation was below our expectations.

Financial position strengthened

During 2008, Rank strengthened its financial position through a significant reduction in Group net debt and by exiting a number of long-term liabilities. Given the current economic environment, Rank's intention is to achieve a further reduction in net debt during the current year, while maintaining appropriate levels of business investment.

i) Debt reduced; liabilities exited

During the course of the year, the Group took a number of actions to strengthen its financial position and, at 31 December 2008, Rank's net debt was £226.5m, £90.4m lower than at 31 December 2007.

In June 2008, Rank completed the transfer of the liabilities and assets of its final salary pension plan to Rothesay Life, a wholly-owned subsidiary of Goldman Sachs. The transaction resulted in a cash inflow to Rank of £28.0m (net of associated costs) and removed the Group's obligation to make £30.8m of additional scheduled contributions (agreed with the Pension Trustee following the disposal of Deluxe Film in 2006).

	Revenue (£m)		*Operating profit* (£m)*	
	2008	*2007*	*2008*	*2007*
Mecca Bingo	**227.6**	240.5	**41.8**	43.6
Top Rank España	**35.8**	32.3	**6.9**	9.3
Grosvenor Casinos	**206.2**	209.5	**29.5**	29.9
Rank Interactive**	**52.6**	52.1	**11.4**	10.9
Shared services			**(20.8)**	(18.5)
Central costs			**(8.5)**	(6.9)
Group	**522.2**	534.4	**60.3**	68.3

* Before exceptional items.
** Rank Interactive previously reported as Blue Square.

Chief executive's review continued

In November 2008, Rank received £59.1m from Her Majesty's Revenue & Customs ('HMRC'), relating to a claim for VAT overpaid on games of interval bingo (to be partially offset by an adjustment for gross profits tax and fees relating to the claim).

In December 2008, we exited our lease obligations relating to the former Deluxe Media distribution site at Arkansas, USA (previously contracted until 2021). The transaction resulted in a £10.0m cash outflow with further payment of US$5.4m over the next five-and-a-half years.

ii) Committed financing in place

The Group's main debt facilities consist of a £250m revolving credit facility and a £150m term loan, both of which mature in April 2012.

In January 2009, we used these facilities to redeem our outstanding convertible unsecured loan stock.

Given our current capital spending plans and cash flow projections, we do not anticipate any immediate requirement to revise either the terms or the size of our borrowing facilities.

iii) Value Added Tax

During the year, two claims for overpaid VAT, brought by Rank against HMRC, were considered by the VAT & Duties Tribunal ('the Tribunal'). Both claims were based on Rank's assertion that HMRC's inconsistent application of VAT to bingo and gaming machines is in breach of the European Union's principle of fiscal neutrality.

In May 2008, the Tribunal upheld Rank's claim for VAT overpaid on games of interval bingo. In November, as a consequence of this ruling, Rank received from HMRC £59.1m relating to VAT paid on interval games between January 2003 and June 2008. Additionally, Rank ceased payment of VAT on interval bingo from July 2008.

In August 2008, the Tribunal issued an interim ruling on Rank's £26.0m claim against HMRC for VAT overpaid on gaming machines between October 2002 and December 2005. While the ruling supported Rank's claim, a full determination will not be made available until after the Tribunal reconvenes in the final quarter of 2009.

Both rulings were appealed by HMRC and are scheduled to be heard by the High Court in March 2009.

The effect of the Tribunal's ruling on interval bingo was to increase Mecca Bingo's revenue and operating profit for 2008 by £13.0m and £6.3m respectively. There was an additional £2.9m one-off benefit to operating profit as a consequence of a separate VAT claim.

Management team strengthened

During 2008, we recruited to senior positions a number of experienced individuals from outside the gaming industry.

- Paddy Gallagher joined the board as finance director in June 2008. Previously, Paddy held several senior finance positions in the technology sector, with Dell, Wang and Sun Microsystems.
- Phil Urban joined as managing director of Grosvenor Casinos in June 2008. Previously, Phil held senior management positions in the budget hotels and pubs sectors with Scottish & Newcastle and Whitbread.
- Mark Jones joined as managing director of Rank Interactive in December 2008. Previously, Mark held senior management positions in the online travel sector, with lastminute.com and Travelocity.
- Julian Barker joined Rank as director of strategy in February 2008. Previously, Julian worked in the telecommunications sector as director of strategy for Orange UK.
- Frances Bingham joined Rank as company secretary in April 2008. Previously, Frances worked in the health and fitness club sector as company secretary and legal director at Holmes Place.

These appointments are representative of a broader strategy to recruit to key positions experienced managers from the leisure, retail, gaming and technology sectors.

Current trading

In the eight weeks to 22 February 2009, Group revenue increased by 1%.

	*Like-for-like revenue**	*Total revenue*
Mecca Bingo**	(3)%	(2)%
Top Rank España	11%	11%
Grosvenor Casinos	3%	5%
Rank Interactive	(10)%	(10)%
Group	0%	1%

* Excludes club openings, closures and relocations.
** Mecca Bingo revenue includes benefit of non-payment of VAT on interval bingo in both 2009 and 2008.

Mecca Bingo revenue was 2% lower than in the comparable period in 2008, with a 4% improvement in spend per visit partially offsetting a 6% decline in admissions. This performance was adversely affected by one week of exceptionally heavy snowfall at the start of February. Excluding the effect of that one week, like-for-like revenue was level with the comparable period.

Top Rank España grew revenue by 11%, as a result of the strength of the euro against Sterling. In euros, revenue was down 5%.

Grosvenor Casinos achieved 3% growth in like-for-like revenue, with spend per visit up by 2% and admissions level with the comparable period. Our London casinos continued to perform well, with a 4% increase in revenue; like-for-like revenue from our provincial casinos was in line with the comparable period in 2008.

Revenue from Rank Interactive declined by 10%, with lower staking levels and a poor win margin affecting sportsbook. This was partially offset by continued growth from meccabingo.com.

Review of strategy

We believe that the scale of consumer expenditure on games of chance will grow over the medium and longer terms and that the shape of this expenditure will change as gaming continues its gradual integration into the mainstream leisure market.

Strategic priorities

Our focus is on increasing customer visits to our businesses by bringing enjoyable gaming-based leisure experiences to a broader base of customers.

Against this backdrop, the key elements of the Group's strategy are:

1. **Deepen customer understanding to shape product innovation, create service differentiation and sharpen customer communications.**
2. **Strengthen position in UK market while assessing longer term growth opportunities overseas.**
3. **Work positively with government, the Gambling Commission and other relevant stakeholders to achieve the aims of the 2005 Act and to help shape the regulatory environment.**

1 Deepen customer understanding

The ability to understand and to anticipate customer needs underpins the development strategies of each of our four businesses. During 2008, we invested additional resource to help us gain deeper insights into customer behaviours, to reward customer loyalty and to enhance the quality of management information about our operations.

i) Improved understanding of customer spending

During 2008, we introduced programmes to track customer spending into both of our land-based businesses in Great Britain. The systems provide mechanisms for us to thank our most loyal customers and to gain richer data about the games that customers like to play.

Grosvenor Casinos – In June, we introduced Play Points into our Grosvenor Casino in Birmingham. Play Points allows our casino customers to collect points on casino table games, electronic roulette, gaming machines and food and drink. These points may be redeemed for a range of gifts, including digital cameras and flat screen TVs.

By the end of the year, approximately 50% of our Birmingham casino customers had joined Play Points. This helped us to identify high-value customers and to gain important insights into playing preferences.

Play Points is now also available to customers at the G Casinos in London and Aberdeen.

Mecca Bingo – In November 2008, we introduced Lucky Swipes into our Mecca Bingo clubs in Luton and Stevenage. Lucky

Swipes allows our bingo club customers to collect points on games of main stage bingo, interval bingo, gaming machines and on food and drink, which are automatically redeemed for tickets in a weekly in-club prize draw.

By the end of the year, approximately 75% of our Luton and Stevenage customers had joined Lucky Swipes. The programme has given us data on customer spending patterns rather than simply admissions trends. Lucky Swipes will be introduced to our new club in Beeston, Nottingham, in time for its opening in May 2009.

ii) Improve management information systems

We are investing in the Playsafe gaming machines management system for 28 of our Mecca Bingo clubs as part of our strategy to achieve a step change in the performance of our gaming machines. This system enables us to gain better information on customer preferences, enhance machine inventory management and improve efficiency by identifying machine failures and reducing the risk of theft and fraud.

In 2008, we introduced an upgraded electronic point of sale system into 55 of our larger Mecca Bingo clubs to give us better information about customer preferences in food and drink. The data gained from the system is already helping us to match more closely the quality and range of our product offer to customer demands and to save costs through a reduction in stock days and wastage.

iii) Single measurement system

We have put in place the Net Promoter Score methodology for measuring customer satisfaction across each of our UK businesses. Net Promoter Score tracks the propensity of our customers to recommend (or otherwise) us to their friends.

Every three months, Net Promoter Score measures feedback from 8,000 of our customers on the quality of our products and services. The information is used to shape the way that we interact with all of our customers and, from 2009, is a key component of how our management teams are incentivised.

Selective investment to strengthen position in the UK and explore growth opportunities overseas

Rank's capital spending priorities reflect the development needs and growth opportunities in each of its businesses. The Group maintains close control over its capital commitments.

Grosvenor Casinos

Opportunity: We believe that over the medium term, the number of adults visiting casinos in Great Britain will increase significantly from current levels (the 2007 British Gambling Prevalence Survey estimated casino penetration at 4% of British adults).

Our estimate of the sector's growth potential is based upon market forecasts and our own experiences in rolling out the G Casino format, which is aimed at the broad leisure market. At 31 December 2008, we operated six G Casinos, in Aberdeen, Blackpool, Luton, Manchester, Thanet and London. Outside London in 2008, the average level of weekly admissions to G Casinos was more than 50% higher than in the rest of the Grosvenor Casinos estate.

While we believe that demand for modern, attractive casinos will grow, supply will remain restricted under current legislation. We estimate that by 2012 there will be no more than 160 casinos operating in Great Britain (compared with 143 at 31 December 2008). In more than 50% of the provincial markets where we operate, there can be no new competitor casinos (excluding relocations) under existing legislation.

Priorities: To capitalise on the market growth opportunity through the development of our 13 non-operating licences, the relocation or conversion of existing casinos and participation in the process to allocate new 2005 Act casino licences.

Development plans: Our plan is to develop seven of our non-operating licences as new G Casinos, beginning this year in Dundee. The potential for growth of the G Casino model has been expanded as a result of a review carried out in 2008, which will reduce the capital cost of development by 20%.

We will continue to look for opportunities to expand the G Casino portfolio through relocations and conversions of existing operations. During the first half of 2009, we will rebrand our Bolton casino, following a major refurbishment.

In addition, we aim to develop casinos in the remaining six locations where we hold licences that are not currently being utilised. This will involve the development of smaller format casinos with lower operating costs than those of a standard G Casino.

Mecca Bingo

Opportunity: Licensed bingo clubs occupy a unique position in Britain's leisure market, offering an affordable out-of-home social gaming experience, aimed principally at women.

The number of adults visiting bingo clubs is relatively high (the 2007 British Gambling Prevalence Survey estimated bingo club penetration at 7% of British adults) but the total number of annual admissions has been in decline for a number of years. Supply of bingo clubs has been falling for a number of years too, although this trend has been exacerbated since the implementation of the smoking bans and the introduction of the 2005 Act.

We believe that there is an opportunity to enhance the popularity of bingo clubs with a wider segment of Britain's adult population through service and amenity improvements and through the evolution of more entertaining games.

In the near term, product improvements and regulatory reforms will allow us to rebuild the gaming machine revenue that was lost upon the introduction of the 2005 Act in September 2007.

Priorities: To bring together, in a single club, the advances in products and service standards achieved by Mecca Bingo, incorporating distinct customer zoning, electronic bingo terminals, attractive amusement machine areas, enhanced food and drink and clearly defined brand standards.

Development plans: In May 2009, we will open a new Mecca Bingo club in Beeston, Nottingham, incorporating a range of enhancements derived from customer research. Later in the year we plan to invest in a major re-modelling of an existing club.

Rank Interactive

Opportunity: Increasing broadband internet penetration, the development of mobile gaming technologies and closer integration with land-based forms of gaming provide a platform for greater participation in remote gaming and betting.

In addition, we believe that there will be growth in the number of jurisdictions where remote gambling is permitted by law.

Priorities: Strengthen customer and marketing synergies with Rank's land-based businesses in Great Britain. Establish Spanish bingo and sports betting sites and explore development opportunities in other territories.

Development plans: Investment in website functionality improvements, customer service standards and analysis of overseas development opportunities.

Top Rank España

Opportunity: Bingo clubs in Spain offer a mainstream form of gaming-based leisure in a market with limited gaming and betting opportunities.

Spain is entering a phase of regulatory reform that may present opportunities in both land-based and remote gaming. In the near term, the difficult economic conditions restrict further development but will also result in a further diminution of supply in the market.

Priorities: Maintain quality and market positions of our clubs in the current difficult trading environment.

Development plans: Focus on maintaining customer service standards and protecting market positions, with limited capital expenditure in the near term.

3

Shaping the wider environment

During 2008, Rank maintained a programme of engagement with political and regulatory bodies, meeting with more than 50 Members of Parliament and contributing significant resource to Gambling Commission policy consultations, workshops and meetings.

The objectives of this engagement programme are:

- to work towards fair and appropriate levels of regulation and taxation; and
- to promote the guiding principles of the 2005 Act.

In pursuit of these objectives, Rank joined with the Bingo Association to call for an increase in the number of category B3 gaming machines permitted in bingo clubs.

In November 2008, the Department for Culture, Media and Sport (DCMS) proposed to increase the maximum allocation of category B3 machines in bingo clubs from four to eight. This proposal was passed by Parliament in January 2009 and the new regulation took effect from 4 February 2009. DCMS has also proposed to increase the maximum stakes and prizes on category C gaming machines from 50p and £35 to £1 and £70. Assuming this proposal is passed by Parliament, it is likely to come into effect during the first half of 2009.

Rank continued to support the Bingo Association in its call for an end to the damaging system of double taxation (whereby uniquely, bingo revenues are subject to both 15% VAT and 15% gross profits tax, applied in combination).

In November 2008, the Scottish National Party became the first mainstream political party to endorse officially the abolition of double taxation through the exemption of bingo revenue from VAT. DCMS added its support in February 2009, stating that it would 'put the case for this reform' to HM Treasury.

The Group will continue to press for an end to the current system of fiscal discrimination against the bingo industry.

In addition, we devoted significant resource to maintaining and improving our responsible operation policies and procedures through working with the Gambling Commission and GamCare.

Ian Burke
Chief executive
25 February 2009

01

02

01 Political support
In November 2008, First Minister for Scotland, Alex Salmond visited Mecca Bingo in Fountain Park, Edinburgh. In 2008, his party, the Scottish National Party, called for the abolition of VAT on games of bingo. Since then, the Department for Culture, Media and Sport has added its support to the bingo industry's campaign to end double taxation.

02 Innovation
In May 2009, Mecca Bingo will open a new club at Beeston in Nottingham, bringing together advances in product and customer service.

Key performance indicators

This section assesses the Group's performance against a series of key measures.

Focus

Sustainable growth

– Group-wide admissions*
Aggregated customer visits to Rank's bingo clubs and casinos.

– Group-wide active customers
Measures aggregated customer numbers of Rank's bingo clubs, casinos and remote gaming and betting websites during a 12-month period.

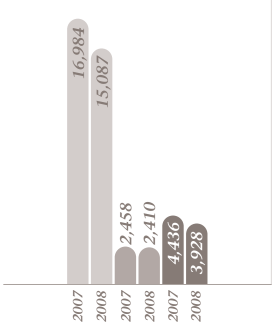
Strong financial position

– Group operating margin
Operating profit expressed as a percentage of revenue.

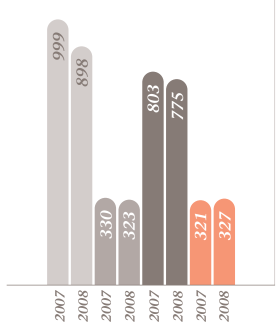
– Sales to marketing ratio
Measures the Group's expenditure on marketing and promotions as a proportion of revenue.

KPIs

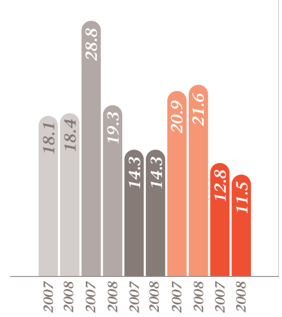
Admissions* (000s)



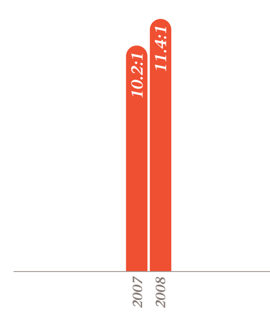
Active customers (000s)



Operating margin (%)



Sales to marketing ratio



Mecca Bingo Top Rank España Grosvenor Casinos Rank Interactive The Group

Commentary
During 2008, Group-wide admissions declined in each of Rank's land-based businesses.

This performance was due principally to negative regulatory and legislative changes and weakening consumer confidence.

In 2009, we will continue to target operational improvements as a means to generate profitable growth in admissions.

Commentary
During 2008, Group-wide active customer numbers declined by 5.3% to 2.3 million.

In 2009, we will continue to target growth in active customers across all four of our businesses.

Commentary
During 2008, Group operating margin was 11.5%, compared with 12.8% in 2007.

This performance represented a significant improvement over the 8.2% operating margin achieved during the second half of 2007.

Commentary
In 2008, in light of the difficult economic conditions, Rank made a significant cut in its marketing and promotional expenditure, principally in Mecca Bingo.

Despite this, the Group stabilised weekly revenues, resulting in an improved sales to marketing ratio.

* Like for like, excludes bingo club and casino openings, closures and relocations.

Risk assessment

The table below highlights the key commercial risks to Rank and the steps that we take to prevent their occurrence or mitigate their effects.

Area	*Specific risks*	*Mitigation*
Tax	i) Reversal of VAT & Duties Tribunal ruling on the inconsistent application of VAT to games of interval bingo may result in requirement to repay to HMRC £59.1m plus interest.	i) Rank will continue to press its claims for overpaid VAT, based upon the principle of fiscal neutrality.
	ii) Increases in the rates of gaming taxation.	ii) Rank maintains a programme of active engagement with HM Treasury and Shadow Treasury.
Regulation	i) Negative regulatory reform – e.g. greater restrictions on gaming and advertising.	i) Rank maintains a programme of active engagement with DCMS, Shadow DCMS and the Gambling Commission.
	ii) Serious breach of gambling regulations may result in the loss of Rank's operator's licences.	ii) Rank has a long track record of responsible operation and close working with the Gambling Commission.
Financing	Absence or withdrawal of financing facilities adequate to meet Group's strategic requirements.	Rank's banking facilities are agreed until April 2012. The Group maintains a programme of active engagement with its banking syndicate.
Consumer weakness	Decline in consumer spending undermines revenue generation.	Focus on gaining deeper customer insight and on providing customers with valued leisure experiences.
Competitive threats	Increase in supply of direct competitors and/or increased targeting of customers from other out-of-home and in-home leisure.	

For information on our risk management processes, see page 37.

Bingo clubs INDUSTRY OVERVIEW

About bingo – Great Britain

Licensed bingo clubs in Great Britain provide low-cost games of chance in a safe, secure and regulated environment. The majority of customers are women and must be 18 years or older in order to play in a bingo club.

Bingo itself is a pari-mutuel lottery-style game where customers can win high prizes (Mecca Bingo's record payout is £1 million) for low stakes. In addition, clubs typically incorporate large gaming machine arcades, licensed bars and restaurant areas, which are also important generators of revenue.

How bingo clubs generate revenue

Description	*How revenue is generated*	*Restrictions*
Main stage and interval bingo Lottery-style game using random number generator	Club charges a 'participation fee' for each game	None
Gaming machines Electronic gaming using random number generator	Typically machines are set to retain between 5% and 10% of stakes over a cycle	Up to 8 B3 or B4 machines and unlimited C and D machines per club*
Food and drink Bar, café and vending facilities	Charges for food and drink	Subject to liquor licensing

* Rank operates separately licensed adult gaming centres, co-located with its Mecca Bingo clubs. These are permitted a maximum of 4 B3 machines as well as unlimited C and D machines.

01

02

01 A national brand
Mecca Bingo operates 102 bingo clubs in Great Britain.

02 Raising our game
During 2008, we introduced Costa coffee to a number of our Mecca Bingo clubs as part of our focus on improving food and drink.

The market

Supply

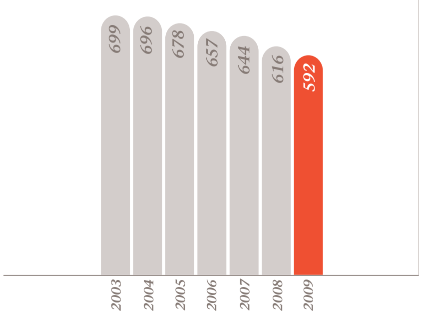
At 25 February 2009, there were an estimated 592 licensed bingo clubs operating in Great Britain, compared with 616 twelve months earlier.

During 2008, 25 clubs closed and only one opened (Mecca Bingo in Thanet). Gala Bingo accounted for 10 of the closures, selling one other. Gala also announced that as many as 35 additional closures were likely within the next few years.

Since the start of 2009, there have been three further closures, Gala Bingo in Montrose and two independent operators in Deal (Kent) and Hyde (Greater Manchester).

At present, only one new club is scheduled to open during 2009, with Mecca Bingo planning to launch in Beeston, Nottingham, in May.

Number of bingo clubs operating in Great Britain *(to February 2009)*



Bingo club operators in Great Britain

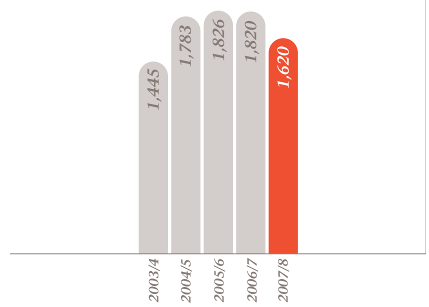
Operator	***February 2009***	*February 2008*
Gala Bingo	**155**	164
Mecca Bingo	**102**	103
Top Ten Bingo	**37**	38
Carlton Clubs	**14**	16
Riva Bingo	**13**	13
Buckingham Bingo	**12**	12
Others	**259**	270
Total	**592**	616

Source: Gambling Commission/company research.

Demand

Following the withdrawal by Gala Bingo from the Bingo Association, there is little accurate data on the overall state of admissions to licensed bingo clubs in Great Britain. Information from the Gambling Commission shows that the total amounts staked on games of bingo between April 2007 and March 2008 fell by 11%. Given that this period includes only nine months following the introduction of the smoking ban in England and excludes stakes on gaming machines (which were affected by the forced removal of Section 21 machines), it is likely that the overall decline of bingo club revenues in 2008 was significantly greater.

Amounts staked on bingo in licensed bingo clubs 2003 to 2008 (£m)



Source: Gambling Commission.

Regulation

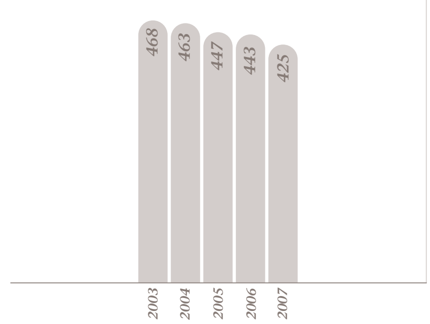
There were no major changes to gaming regulations for bingo clubs during 2008. However, in February 2009 the maximum number of category B3 gaming machines permitted in a bingo club was increased from four to eight. In addition, DCMS has proposed that in 2009 the maximum stake and prize levels of category C gaming machines will be increased from 50p and £35 to £1 and £70 respectively.

About bingo – Spain

Bingo is one of the largest sectors of the Spanish gambling market, alongside lotteries, casinos and gaming machine arcades. Clubs generate revenue from participation fees on games of bingo, customer spending on gaming machines and food and drink.

The industry is largely regulated on a provincial basis, with gaming machines restrictions, staking levels and taxation being determined by the local authority.

Number of bingo clubs operating in Spain



Source: Comisión Nacional del Juego.

Supply

The most recent official data on the state of the Spanish bingo market is contained within the 2007 annual report of the Comision Nacional del Juego ('CNJ'). In recent years the sector has been affected negatively by the introduction of a partial smoking ban in 2006 and the onset of recession in 2008. The CNJ reports that the number of bingo clubs in Spain fell sharply in 2007, following a number of years of gradual decline. Rank estimates that the number of clubs operating at the end of 2008 is likely to be below 400.

MECCA BINGO

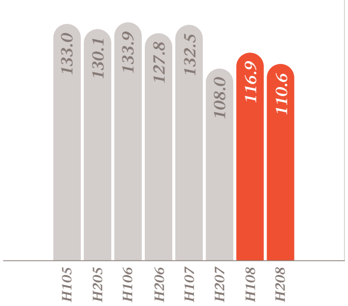
Licensed bingo clubs occupy a unique position in Britain's leisure market, offering an affordable out of home social gaming experience, aimed principally at women.

Operating performance

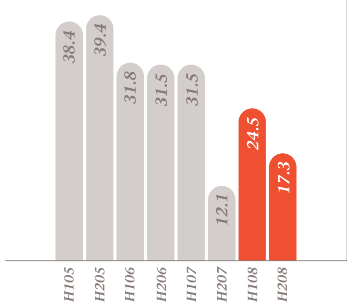
	Revenue (£m)		Operating profit (£m)	
	2008	2007	2008	2007
H1	**116.9**	132.5	**24.5**	31.5
H2	**110.7**	108.0	**17.3**	12.1
Full-year	**227.6**	240.5	**41.8**	43.6

Mecca Bingo's revenue and operating profit for the first half of 2008 has been restated to reflect the non-payment of VAT on interval games.

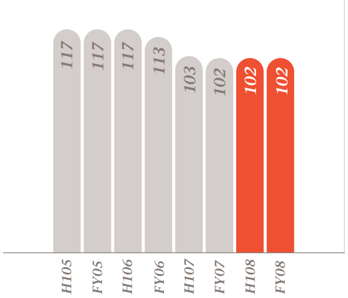
Revenue (£m)



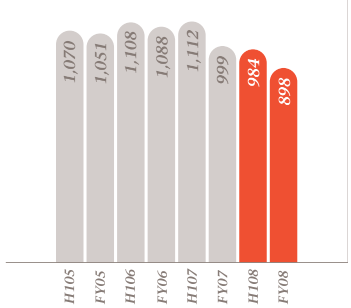
Operating profit (£m)



Clubs operating



Active membership (000s)



KPIs and key statistics

	2008	2007
Admissions (000s)*	**15,087**	16,984
Spend per visit (£)**	**14.79**	13.82
Active membership (000s)	**898**	999
Operating margin (%)	**18.4**	18.1

* Like for like, excludes club openings, closures and relocations.
** 2008 spend per visit benefits from non-payment of VAT on interval bingo.

Mecca Bingo achieved a creditable performance in 2008 following a period of significant business disruption (due to the smoking bans in England and Wales and the loss of Section 21 gaming machines) during the second half of 2007.

During the year, revenue from Mecca Bingo declined by 5.4% to £227.6m, while operating profit of £41.8m was 4.1% lower than in 2007.

This performance benefited from the non-payment of VAT on games of interval bingo (a consequence of the Group's successful claim against HMRC in May 2008 and a separate one-off VAT refund). These claims resulted in a £13.0m benefit to revenue and a £9.2m benefit to operating profit. Excluding the effects of this change, revenue was 10.8% lower and operating profit was 25.2% lower than in 2007.

Comparable clubs revenue declined by 4.9%, with admissions down 11.2% and spend per visit up 7.0% (the latter as a result of the non-payment of VAT on interval games). Excluding the VAT benefit, spend per visit grew by 0.8%. Active membership of 898,000 was 10.1% lower than in 2007.

Revenue analysis

	2008 (£m)	2007 (£m)
Main stage bingo	**36.3**	43.2
Interval games	**108.4***	106.4
Gaming machines	**60.7**	67.1
Food and drink/other	**22.2**	23.8
Total	**227.6**	240.5

* Includes benefit of VAT adjustment on interval games.

Main stage bingo – revenue from main stage bingo declined principally as a result of lower admissions as well as the withdrawal of our rollover game, Mecca Millionaire.

Interval games – revenue from interval games increased as a result of non-payment of VAT, but underlying spend per visit was comparable with 2007.

Gaming machines – although lower admissions resulted in a decline in revenue from gaming machines, we grew spend per visit through an increase in the deployment of B3 gaming machines and a programme of operational enhancements.

We introduced separately licensed gaming machine arcades into 63 of our Mecca Bingo properties, increasing the total number of category B3 gaming machines across our estate from 406 to 711 by the end of the year. In February 2009, we were able to increase this figure to more than 1,000 category B3 machines as a result of changes to gaming regulations.

In addition, we made improvements to our machines mix, extended server-based gaming to 410 machines across 65 clubs, recruited dedicated gaming machine team leaders in 74 clubs and invested in the creation of more attractive gaming environments.

Food and drink – having identified food and drink as a key area for operational improvement, we achieved an increase in spend per visit (although overall revenue declined on lower admissions). Following successful trials, we rolled out a new menu across all 102 Mecca Bingo clubs, with a focus on good value, freshly prepared food. We also recruited dedicated catering managers into 61 of our largest clubs to sharpen our operational focus in this area.
Portfolio changes – we ended the year with 102 bingo clubs, having opened one new club (Thanet) and closed one club (Swindon) during the period. In May 2009 we will open a new club at Beeston in Nottingham but have no further club openings or closures planned.

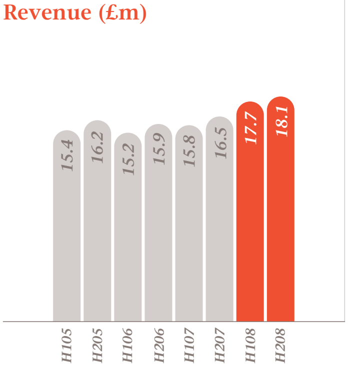
TOP RANK ESPAÑA

Bingo clubs in Spain offer a mainstream form of gaming-based leisure in a market with limited gaming and betting opportunities.

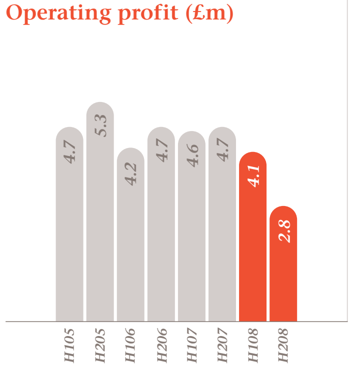
Operating performance

	Revenue (£m)		Operating profit (£m)	
	2008	2007	2008	2007
H1	**17.7**	15.8	**4.1**	4.6
H2	**18.1**	16.5	**2.8**	4.7
Full-year	**35.8**	32.3	**6.9**	9.3

Revenue (£m)



Operating profit (£m)



KPIs and key statistics

	2008	2007
Admissions (000s)	**2,410**	2,458
Spend per visit (£)	**14.85**	13.13
Active membership (000s)	**323**	330
Operating margin (%)	**19.3**	28.8

Our Spanish bingo clubs business, Top Rank España, had a difficult year as the Spanish economic recession had a negative impact on trading, particularly during the second half of the year.

Despite the difficult trading environment, the majority of our clubs outperformed their local market competitors and Top Rank España as a whole grew its share of the Spanish bingo clubs market during the year.

Reported revenue from Top Rank España's 11 clubs grew by 10.8% for the year. However, this performance benefited from a strengthening of the euro against Sterling. Revenue in euros was 5.0% lower than in 2007.

Operating profit declined by 25.8% as the business absorbed significantly higher operating costs, particularly employment costs and utilities.

Admissions of 2.4 million were 2.0% lower than in 2007, but this was offset by a 13.1% increase in spend per visit, due entirely to exchange rate movements. In euros, spend per visit declined by 3.0%, principally as a result of lower expenditure on food and drink. Active membership of 323,000 was 2.1% below the prior year.

Revenue analysis

	2008 (£m)	2007 (£m)
Bingo	**24.2**	21.8
Gaming machines	**7.8**	6.7
Food and drink/other	**3.8**	3.8
Total	**35.8**	32.3

Casinos INDUSTRY OVERVIEW

About casinos

Casinos in Great Britain offer a variety of traditional games of chance in a safe, social and highly regulated environment. Customers must be 18 years or older in order to play in a casino.

Staking levels are not capped (with the exception of electronic gaming machines) and are determined by the casino.

A casino operator must hold a licence granted under either the Gaming Act 1968 ('1968 Act') or the 2005 Act. Since April 2006, there has been a moratorium on licence applications under the 1968 Act (although a small number of applications submitted before the deadline have yet to be finally determined).

Under current legislation, the following activities may be offered under a 1968 Act casino licence in Great Britain: casino table games (including American roulette, blackjack, stud poker, punto banco, sic-bo and dice); electronic casino games (predominantly electronic roulette), gaming machines and card room games (including player-to-player poker and mah-jong). In addition, casinos typically include licensed bars and restaurants.

In Britain, due partly to restrictions on electronic gaming machines, the majority of casino revenue is generated by casino table games and their electronic equivalents.

How casinos generate revenue

		Restrictions		
Description	*How revenue is generated*	*1968 Act Casino*	*2005 Act Small Casino*	*2005 Act Large Casino*
Casino table games Fixed odds betting on games of probability, played against the house	Odds incorporate 'house edge', giving casino slight advantage on each bet	No restriction on number of tables permitted House sets maximum staking levels		
Electronic roulette Casino table game using electronic terminal	As above	No restriction where terminal is linked to a manned roulette wheel; maximum of 40 terminals linked to automated roulette wheel		
Gaming machines Electronic gaming using random number generator	Typically machines are set to retain between 5% and 10% of stakes over a cycle	20 machines (B1 to B4) or Unlimited C and D machines	Up to 80 machines (categories B1 to D)	Up to 150 machines (categories B1 to D)
Card room games Player-to-player games	Standard hourly charge or Rake (casino retains small percentage of each 'pot')	No restrictions		
Food and drink Bars and restaurants	Charges for food and drink	Subject to liquor licensing		
Sports betting See page 22	Customer stakes less customer winnings	Not permitted	Permitted	Permitted
Bingo See page 14	Participation fee	Not permitted	Not permitted	Permitted

The market

Casino operators

	February 2009		February 2008	
Operator	Operating	Non-operating	Operating	Non-operating
Genting Stanley	44	10	46	7
Grosvenor Casinos	32	13	32	13
Gala Casinos	26	5	30	1
London Clubs	11	1	10	2
A&S Leisure	6	0	6	0
Isle of Capri	3	1	3	1
Aspers/Aspinall's	4	0	3	1
Clockfair	2	0	2	0
Guoco	1	4	1	4
Others	12	7	10	9
Poker clubs	2	2	2	2
Total	143	43	145	40

Source: Gambling Commission/company research.

Supply

At 25 February 2009, there were 143 casinos operating in Great Britain compared with 145 a year earlier.

In the year to 25 February 2009, seven casinos opened and nine casinos closed. One casino (Reds Casino in Huddersfield) opened for just two months before closing.

Amongst the major operators, Rank opened two and closed two casinos (including a licence relocation from Ramsgate to Thanet); London Clubs International opened one new casino; Aspers opened one new casino; and a further three independents also opened new clubs. Gala Casinos closed four casinos in the period (including one in London); and Genting Stanley closed two.

To date, there have been no casino openings or closures in 2009.

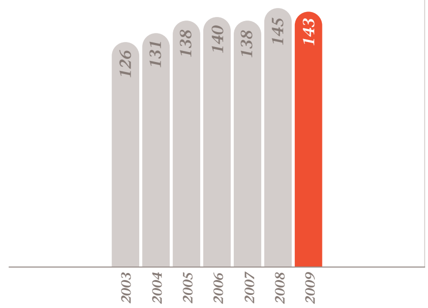
During the year, just four casino licence applications were determined, with two granted (Genting Stanley in Reading and Beacon at the London Hippodrome) and two rejected (Luminar and Lucien Barriere's joint applications in Leeds and Bournemouth). In addition, 16 licence applications were withdrawn and the licence relating to the former Bannatyne's Casino in Newcastle-upon-Tyne (which closed in 2005) was surrendered.

Table: Top ten casino markets in Great Britain

	February 2009		February 2008	
Operator	Operating	Non-operating	Operating	Non-operating
London	25	3	26	1
Birmingham	7	1	7	1
Glasgow	5	4	5	4
Manchester	6	3	6	3
Edinburgh	4	1	4	1
Leeds	4	1	4	1
Nottingham	4	2	5	1
Aberdeen	4	0	2	2
Northampton	4	0	3	1
Liverpool	3	2	3	2

Source: Gambling Commission/company research.

Number of casinos operating in Great Britain *(as at 25 February 2009)*



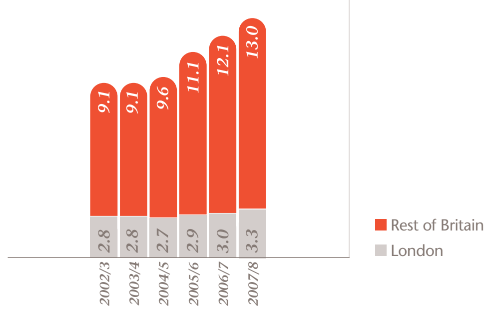
Source: Gambling Commission/company research.

Demand

The most recent data available on casino admissions in Great Britain is provided by the Gambling Commission in its 2007/8 annual report and covers the 12-month period to 31 March 2008.

During that period, admissions to casinos in Great Britain increased for the fourth year in succession. However, it seems probable that casino admissions for the year to March 2009 will show a decrease, reflecting the negative effects of the English smoking ban and the slowdown in the consumer economy.

Casino attendance 2002 to 2008 (millions)



Source: Gambling Commission.

Regulation

During 2008, the locations of the 16 new casino licences provided for within the 2005 Act were approved by Parliament. The Government took the decision not to progress the development of the 2005 Act's single 'Regional Casino' (which had previously been awarded to Manchester).

Nevertheless, doubt remains concerning the development of some of the 16 new licences due to the poor choice of certain locations, regulatory uncertainty and the high level of casino gaming duty.

In particular, the key definition of a 'gaming table in use' (which determines the number of gaming machines a 2005 Act casino may offer) remains uncertain.

GROSVENOR CASINOS

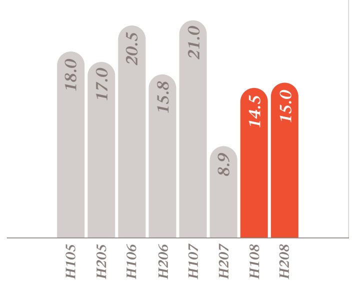
We believe that over the medium term, the number of adults visiting casinos in Great Britain will increase significantly from current levels. While we believe the demand for modern, attractive casinos will grow, supply will remain restricted under current legislation.

Operating performance

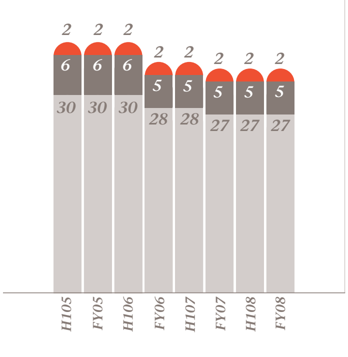
	Revenue (£m)		Operating profit (£m)	
	2008	2007	2008	2007
H1	**102.2**	110.1	**14.5**	21.0
H2	**104.0**	99.4	**15.0**	8.9
Full-year	**206.2**	209.5	**29.5**	29.9

Revenue (£m)

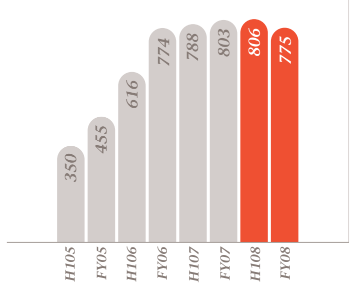
Operating profit (£m)



Casinos operating – provinces, London and Belgium



Active membership (000s)



KPIs and key statistics

	2008	2007
Admissions (000s)*	**3,928**	4,436
Spend per visit (£)*	**49.26**	44.62
Active membership (000s)	**775**	803
Operating margin (%)	**14.3**	14.3

* Like for like, excludes club openings, closures and relocations.

Grosvenor Casinos achieved a level of operating profit in 2008 only slightly lower than in the previous year, despite the negative year-on-year effects of the smoking ban, the loss of Section 21 gaming machines and a higher rate of casino gaming duty.

	Revenue (£m)		Operating profit (£m)	
	2008	2007	2008	2007
London	**88.5**	88.0	**14.3**	14.7
Provinces	**101.8**	108.4	**13.5**	14.3
Belgium	**15.9**	13.1	**1.7**	0.9
Total	**206.2**	209.5	**29.5**	29.9

During the year, operating profit declined by 1.3% to £29.5m, on revenue of £206.2m, 1.6% lower than in 2007.

On a like-for-like basis, admissions to our casinos fell by 11.5% to 3.9 million, although this was partly as a consequence of our decision to reduce marketing expenditure. This decline in admissions was largely offset by a 10.4% improvement in spend per visit, as table win margin (negatively affected by the introduction of the smoking ban in the second half of 2007) recovered and we saw positive results from our actions to improve the quality of our gaming machines.

Active membership of 775,000 was 3.5% lower than at the end of 2007.

Like for like clubs	Admissions (000s)		Spend per visit (£)	
	2008	2007	2008	2007
London	**898**	968	**98.44**	90.92
Provinces	**2,731**	3,157	**32.68**	30.67
Belgium	**299**	311	**52.99**	42.18
Total	**3,928**	4,436	**49.26**	44.62

London – our five London casinos grew revenue by 0.6% but operating profit of £14.3m was 2.7% lower than in 2007. A recovery in win margin to historic levels helped drive an 8.3% increase in spend per visit, offsetting a 7.2% decline in admissions.

Provinces – revenue from our provincial casinos declined by 6.1% while operating profit was 5.6% lower than in 2007. On a like-for-like basis, revenue declined by 7.7%, with admissions down by 13.5% and spend per visit up by 6.6%.

Belgium – our two casinos, at Middelkerke and Blankenberge, grew reported revenue by 21.4% while operating profit increased by 88.9%. This performance was due in part to improvements in electronic gaming and in part to the strength of the euro against Sterling.

Revenue in euros grew by 4.5%, with an 8.6% increase in spend per visit offsetting a 3.9% decline in admissions.

Revenue analysis (Great Britain casinos only)

	2008 (£m)	2007 (£m)
Casino table games	**144.6**	150.7
Gaming machines	**28.4**	30.2
Poker	**5.1**	3.8
Food and drink/other	**12.2**	11.7
Total	**190.3**	196.4

During the course of the year, we made a number of changes to position the business for long-term growth, introducing our Play Points loyalty system into three of our casinos, testing 24-hour opening in three casinos and moving our gaming machines to direct supply arrangements.

We continued the development of our G Casino brand, which is aimed at making the casino experience relevant to a much broader cross-section of British adults. We opened G Casinos at Thanet in February and Aberdeen (our first casino in Scotland) in October.

We closed two small Grosvenor casinos, in Ramsgate (licence relocated to Thanet) and at Moortown in Leeds. Both of these casinos had become loss-making as a consequence of the changes to casino gaming duty introduced in April 2007.

At 31 December 2008, we operated 32 casinos in Great Britain and held a further 13 non-operating licences as well as operating two casinos in Belgium.

Provision of gaming facilities – Grosvenor Casinos (Great Britain only)

Gaming	*2008*	*2007*
Casino gaming tables	**350**	321
Electronic roulette terminals	**822**	853
B1 machines	**593**	585
B3 machines*	**16**	0

* Rank operates a small number of adult gaming centres colocated with its casinos. These are permitted a maximum of 4 B3 machines as well as unlimited C and D machines.

01

02

01 Raising our game
In 2008, we made a number of improvements to our casino bars and restaurants.

02 Reaching out
Our G Casinos are designed to appeal to a broader range of customers.

Remote gaming and betting INDUSTRY OVERVIEW

01

02

01 Blue Square Premier
Blue Square supported 64 non-league football clubs in 2008 through its sponsorship of the Blue Square Premier (formerly known as the Football Conference).

02 Sporting chance
In 2009, meccabingo.com announced a shirt sponsorship deal with Wigan Warriors rugby league club. This signals a move towards greater support for Rank's interactive gaming brands.

About remote gaming and betting

Remote gaming and betting is the fastest-growing area of the gambling market. It uses internet and telecommunications technologies to allow people to place bets and play a variety of games (including bingo, casino and poker) from their computers and mobile phones.

Remote gambling is a legal and formally regulated activity in Great Britain, which is the primary market for Rank Interactive.

How remote gambling generates revenue

Revenue (or gross win) is generated on sports betting through effective odds-setting on events of uncertain outcome (e.g. a horse race). Gross win on games is generated by a statistical advantage (or 'house edge') on games of fixed probability (e.g. roulette). As a consequence, sports betting revenue tends to be slightly more unpredictable than gaming revenue.

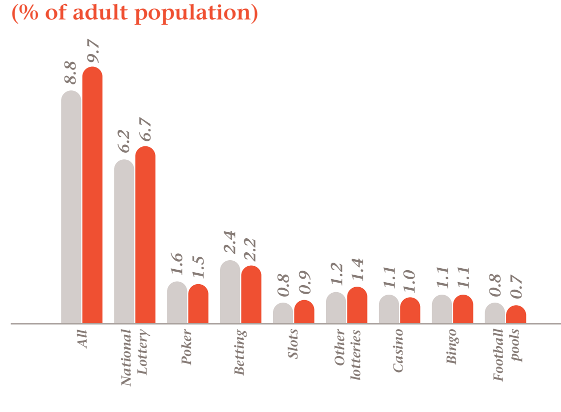
Description	*How revenue is generated*
Sportsbook Betting on the outcome of uncertain events – e.g. sports	Customer stakes less customer winnings
Bingo See page 14, 'about bingo'	Participation fee
Casino See page 18, 'about casinos'	'House edge'
Poker See page 18, 'about casinos'	Rake (operator retains small percentage of each 'pot')

The market

Demand

According to research by the Gambling Commission, participation in remote gambling in Britain increased from 8.8% in 2007 to 9.7% in 2008. The reported rise was due almost entirely to an increase in the number of people choosing to play the National Lottery online, while participation in most other forms of online gambling remained constant or declined slightly.

Participation in remote gambling in Great Britain (% of adult population)



Source: Gambling Commission.

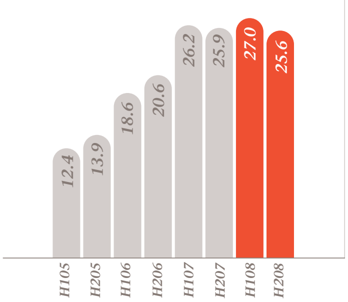
RANK INTERACTIVE

Increasing broadband and internet penetration, the development of mobile gaming technologies and closer integration with land-based forms of gaming provide a platform for greater participation in remote gaming and betting.

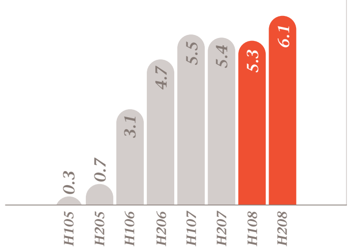
Operating performance

	Revenue (£m)		Operating profit (£m)	
	2008	2007	2008	2007
H1	**27.0**	26.2	**5.3**	5.5
H2	**25.6**	25.9	**6.1**	5.4
Full-year	**52.6**	52.1	**11.4**	10.9

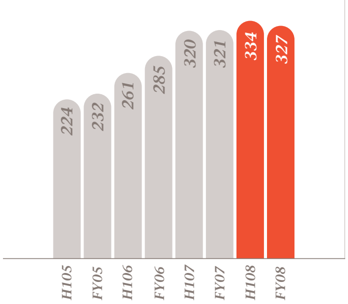
Revenue (£m)



Operating profit (£m)



Active membership (000s)



KPIs

	2008	2007
Active customers (000s)	**327**	321
Operating margin (%)	**21.6**	20.9

Rank Interactive achieved modest growth in revenue and operating profit during 2008. Strong revenue growth from meccabingo.com offset a decline in revenue from our sportsbook operation.

During the year, Rank Interactive's revenue grew by 1.0% to £52.6m and operating profit increased by 4.6% to £11.4m. The decision to move our sportsbook operation offshore, to Alderney in the Channel Islands, resulted in a net benefit to operating profit of £1.5m.

	Revenue (£m)	
	2008	2007
Gaming	**39.0**	36.9
Sportsbook	**13.6**	15.2
Total revenue	**52.6**	52.1

Our gaming brands grew revenue by 5.7% to £39.0m, with a significant increase in the number of bets placed offsetting a decline in average customer staking levels.

Revenue from our sportsbook declined by 10.5% to £13.6m as a dilution in average customer staking levels outweighed growth in bets placed.

Active membership of Rank Interactive increased 1.9% to 327,000, with growth from gaming offsetting a decline in sportsbook.

In Spain, where we have launched our own bingo and sports betting websites, bingouniversal.com and apuestauniversal.com, the pace of growth has been slower than anticipated. As a consequence, we will be pooling bingouniversal.com with our UK-facing business, meccabingo.com, to add momentum to our development in both markets.

Our 'white label' agreement to supply sports betting services to customers of 888.com (under the 888sport brand) in the UK, Spain, Germany, Sweden and Denmark made some progress, following its launch in 2007.

Responsibility OPERATING WITH CONSIDERATION

At Rank Group we will:
– provide safe, fun and friendly environments for adults to gamble
– be active and interventionist in our approach to identifying and helping people with a gambling problem and people who are at risk from a gambling problem
– support all our employees in applying these principles

"For most people, gambling is a fun and enjoyable social activity. For the vulnerable few, gambling can become the expression of or outlet for other problems. Preventing gambling for everyone is not the solution, as gambling itself is not the problem. The answer is to ensure that vulnerable customers are identified early and given the right help and support. I am pleased that Rank Group recognises this and has detailed procedures in place – that is why their casinos, bingo clubs and online gaming have the GamCare accreditation."

***Geoffrey Godbold,** chairman GamCare, January 2009*

For Rank, the recognition that we have responsibilities to society and the environment helps to shape our business strategy.

Our aim is to operate at all times with consideration for:
- our customers
- our people
- our natural environment
- our communities

This section sets out our policies, targets and key achievements in pursuing these aims.

2008 highlights
- More than £544,000 raised for, or donated to charities
- 10% reduction in Group's carbon footprint
- More than 4,000 hours of employee training on responsible gambling

2009 targets
- Further 6% reduction in Group's carbon footprint
- Introduction of responsible gambling assessments for all customer-facing employees in the UK
- Implementation of new community investment strategy for Grosvenor Casinos

Operating responsibly

At Rank, we believe that gambling should be a fun and social form of entertainment. Nevertheless, we recognise that a small proportion of people may find it difficult to control their gambling activities. We have put in place a system of measures to minimise the incidence of problem gambling in our businesses and to support our employees in managing it when it does occur.

Rank is committed to upholding the three licensing objectives of the Gambling Act 2005:
- protecting children and other vulnerable persons from being harmed or exploited by gambling;
- preventing gambling from being a source of crime or disorder, being associated with crime or disorder or being used to support crime; and
- ensuring that gambling is conducted in a fair and open way.

Oversight
The following procedures have been put in place to guide our responsible gambling policies:
- bi-annual discussions at meetings of the Rank board;
- bi-annual discussions at Rank's audit committee meetings;
- quarterly meeting of responsible gambling review committee; and
- quarterly meeting of anti-money laundering review committee.

In addition, our senior managers are encouraged to invest time in liaising with those organisations that provide counselling and support for people with gambling-related problems. In 2008, this programme included:
- visit by Rank's chief executive, Ian Burke, and a number of senior managers to GamCare's counselling and support centre; and
- visit by Ian Burke and senior managers to Gordon House residential treatment centre in Dudley, West Midlands.

Responsibility in Gambling Trust
Rank is a founding supporter of the Responsibility in Gambling Trust ('RIGT'), which provides funding for problem-gambling charities, including GamCare, Gamblers Anonymous and Gordon House.

For 2008, the Group donated £257,593 to RIGT. For future years we have given a minimum annual funding commitment of £250,000 for the purposes of research, education and treatment initiatives in relation to problem gambling in Great Britain until 31 March 2012 (subject to a limited number of conditions).

Protecting the vulnerable
The vast majority of our customers enjoy gambling simply as a part of their social life and they do so in a responsible and controlled way. We recognise that a few people may find it difficult to control their gambling. This is often the result of other, deeper problems, and it is our

responsibility to recognise these vulnerable customers and support them in controlling their gambling activities. It is also vital that we protect the young and ensure that no-one aged under 18 can access our gambling facilities.

To support this commitment, we have a policy on responsible gambling and detailed operational procedures, explaining how the policy should be put into practice. Our measures include:

- training for all land-based customer-facing employees;
- age-control: our land-based businesses supervise entry points and carry out proof-of-age checks on customers who appear to be under the age of 21; Rank Interactive uses sophisticated verification procedures to identify and exclude under-age users;
- all of Rank's businesses support customers who wish to exclude themselves from gambling or to place spending limits on their gambling;
- all of Rank's businesses prominently display information to help customers identify the signs of problem gambling and to find support; and
- all of Rank's UK-facing businesses carry the Gambling Commission's gambleaware.co.uk website address on their print advertising.

The British Gambling Prevalence Survey is a large-scale nationally representative survey of participation in gambling and the prevalence of problem gambling in Great Britain. Its most recent report showed that, in 2007, 68% of the population, that is about 32 million adults, had participated in some form of gambling activity within the past year. The survey measured the levels of problem gambling using internationally recognised scales and found that the rate of problem gambling in the adult population was about 0.6%, which equates to about 284,000 adults. This is the same percentage of the population identified in the previous study in 1999. The study showed that the highest prevalence of problem gambling was found among those who participated in spread betting (14.7%), fixed odds betting terminals (11.2%) and betting exchanges (9.8%), none of which are operated by Rank.

Accreditation

Each of Rank's UK-facing businesses, Mecca Bingo, Grosvenor Casinos and Rank Interactive has now achieved accreditation from GamCare.

GamCare certification is awarded to online and land based gambling companies that have implemented robust responsible gambling policies. The GamCare kitemark is an independent recognition of Rank's high standards of social responsibility and player protection.

Employee training

A major programme of employee training is a key element of our strategy to minimise and manage the incidence of problem gambling in our businesses. This training is delivered remotely, via our computer based training (CBT) system and in face-to-face sessions. Since the programme was introduced in September 2006, we have delivered approximately 13,200 hours of CBT training to our people.

In addition, 300 managers at Grosvenor and Mecca have received around 1,800 hours of face to face training.

In 2009, we will introduce a comprehensive programme of responsible gambling policy testing for all customer-facing employees in Grosvenor Casinos and Mecca Bingo.

Fair play, security and crime

We are vigilant about identifying and preventing criminal activity and have a number of measures in place to ensure gaming takes place in an open and transparent way:

- all Grosvenor Casinos gaming tables are covered by digital closed circuit television, and dealers are supervised by table inspectors;
- 'how to play' guides are available in our casinos, offering simple and clearly illustrated guides to the rules and odds of each game;
- we have in place comprehensive anti-money laundering procedures in our land-based businesses and in Rank Interactive;
- we work with the Serious Organised Crime Agency (SOCA) to support its efforts in fighting money laundering. Our director of security is a member of a SOCA-vetted liaison group. SOCA shares information with the group on a restricted basis in order to gain cooperation in fighting money laundering; and
- we work with other members of the online gaming industry, through the GamShield organisation, to exclude customers who have been found to be involved in fraud, attempted fraud and underage gambling.

Our people

The success of our business depends on the motivation and commitment of our 7,889 employees in the UK, Belgium and Spain. Our employees provide the customer experience that attracts people to our clubs and casinos. They are also responsible for upholding the highest standards of professionalism in a tightly regulated industry.

We aim to provide all our employees with a positive working environment that respects their rights as individuals. Our commitment to them is underpinned by our policies on parental leave, bullying and harassment and equal opportunities, which confirm our compliance with relevant employment laws.

Employee recruitment and retention can be challenging in our industry. We regularly conduct employee opinion surveys throughout the businesses and measure employee engagement. We work closely with governmental and non-governmental agencies to promote employment opportunities and provide support to people seeking work.

Providing employment opportunities
In Ramsgate, an area of high unemployment, we held a recruitment open day for Mecca Bingo in partnership with Ramsgate Job Centre. More than 50% of the employees for the Thanet Mecca Bingo club were recruited via the job centre.

Operating responsibly continued

Our environment

We embrace our responsibility for protecting the natural environment and, since 2007, have taken significant steps towards reducing our carbon footprint.

Our chief environmental impact is our energy consumption in our offices and buildings, which accounts for more than 90% of our carbon footprint. The remainder of our carbon footprint stems from travel and waste disposal.

In 2007, Ian Burke formed an environment committee to oversee this area of our business. The full committee meets every three months and a smaller sub-committee meets every two months. The committee works with the Carbon Trust, which provides advice and support on how we might reduce our carbon footprint.

Our achievements

- We reduced our carbon footprint in line with our target of 10%.
- Investment of more than £900,000 to install powerperfectors and inverters in Mecca Bingo and Grosvenor Casinos.
- Introduction of programme to replace our company car fleet with more environmentally friendly vehicles. New company cars have been capped for emissions at 160g/km.
- Distribution of 2 million low-energy light bulbs to customers of Mecca Bingo, in cooperation with Kool Energy.
- 41% reduction in waste disposal over the two year period ended 31 December 2008.
- Appointment of Greenstar to help implement recycling for glass, cardboard and paper across our UK businesses.
- New initiative to recycle waste cooking oil for reprocessing into bio-diesel for public transport companies.
- By December 2008, 38% of our waste was being recycled.

In 2009, we will continue to work with the Carbon Trust with the aim of reducing our carbon footprint by a further 6% by the end of the year.

Our communities

The Rank Group makes significant contributions to the communities in which it operates through employment, social amenity and taxation. In addition, we support our people and our customers in a variety of charitable fundraising initiatives.

Mecca Bingo and Whizz-Kidz

In 2006, Mecca Bingo adopted Whizz-Kidz as its official charity, following discussions with employees and customers.

Whizz-Kidz makes a positive difference to the lives of disabled children through the provision of powered wheelchairs and mobility equipment as well as support and training.

In 2008 we aimed to raise £250,000 for Whizz Kidz, with each Mecca Bingo club being assigned its own individual target to meet.

During the year, Mecca Bingo exceeded its target, raising a total of £286,995, with the funds targeted to help disabled children in the communities where Mecca Bingo operates.

Mecca will continue to work with Whizz-Kidz in 2009.

Grosvenor Casinos

During 2008, Grosvenor Casinos supported a range of charities in its local communities. These included Weston Spirit, Newcastle Royal Victoria Infirmary, Get Kids Going and the Willow Foundation. Grosvenor has developed a new charity strategy for 2009, with all 32 of its UK casinos engaging in a fundraising programme for their chosen local charities.

Funds raised for Whizz-Kidz by Mecca Bingo Swansea Camarthen Road will help Rhiannon gain a new lease of life. Rhiannon is a sociable 13 year old who loves going to the cinema, shopping and listening to music. She has cerebral palsy which for her means she is unable to walk and cannot propel a manual wheelchair.

Thanks to Mecca's fundraising, Whizz-Kidz will be able to provide Rhiannon with a powered wheelchair.

Paddy Gallagher
Finance director

STRENGTHEN FINANCIAL POSITION

The Group is committed to strengthening its financial position through:
- *improving operating performance*
- *positive cash flow generation*
- *reduction of long-term liabilities*
- *strict control over capital expenditure*

Results

	Revenue		Operating profit (loss)			
			Before exceptionals		After exceptionals	
	2008 (£m)	2007 (£m)	**2008 (£m)**	2007 (£m)	**2008 (£m)**	2007 (£m)
Continuing operations	**522.2**	534.4	**60.3**	68.3	**(9.1)**	23.1
Net interest payable			**(19.8)**	(22.1)	**(14.7)**	(22.1)
Adjusted profit (loss) before taxation*			**40.5**	46.2	**(23.8)**	1.0
Amortisation of equity component of convertible bond			**(3.6)**	(3.6)	**(3.6)**	(3.6)
Unwinding of discount in disposal provisions			**(1.2)**	(1.3)	**(1.2)**	(1.3)
Net return on defined benefit pension asset			**3.6**	10.5	**3.6**	10.5
Other financial (losses) gains			**(1.1)**	0.5	**(1.1)**	0.5
Profit (loss) before taxation			**38.2**	52.3	**(26.1)**	7.1
Basic earnings (loss) per share – continuing operations			**6.5p**	7.3p	**(5.1)p**	(1.2)p
Adjusted earnings per share (note 10)			**7.3p**	7.4p		

* Adjusted profit before tax is group operating profit less finance costs and income.

Group revenue from continuing operations fell by £12.2m, resulting from the reductions in Mecca Bingo and Grosvenor Casinos, partially offset by the increase at Top Rank España (which benefited from foreign exchange movements).

Group operating profit before exceptional items was £8.0m lower than in 2007. This was largely driven by the revenue shortfall due to the high fixed-cost nature of our business as well as an additional £1.5m in casino duty following the increase in tax in April 2007.

The net interest charge was £2.3m lower than in 2007, which reflects lower interest rates, increased cash generation from operations and reduced capital investment as well as the inflows from the defined benefit pension plan transfer and the VAT refund in Mecca Bingo.

Adjusted Group profit before tax and exceptionals was £5.7m lower than in 2007. The effective tax rate on adjusted profits was 29.9% (2007: 30.9%), broadly in line with the continuing Group's anticipated effective tax rate of 30% to 33%.

Adjusted earnings per share of 7.3p (2007: 7.4p) reflects the lower earnings in the year, partly offset by a reduction in the weighted average number of shares in issue.

The board suspended the payment of dividends in December 2007 in light of difficult trading conditions and general economic conditions. No dividend was paid or will be proposed in respect of 2008. In 2007, the Group paid a final dividend in respect of 2006 of 4.0p per ordinary share, an interim dividend of 2.0p per ordinary share in respect of 2007 and a special dividend of 65.0p per ordinary share following the disposal of Hard Rock. The special dividend was accompanied by an 18 for 25 share consolidation.

The board remains committed to resuming dividend payments once trading conditions and the market outlook have improved.

Exceptional items

In order to give a full understanding of the Group's financial performance and aid comparability between periods, the Group reports exceptional items in accordance with its accounting policy as detailed in note 1W to the financial statements.

The key exceptional items in 2008 were:
- transfer of the defined benefit pension plan;
- VAT refund;
- impairments and onerous leases; and
- property disposals.

Transfer of the defined benefit pension plan:
The Group transferred its defined benefit pension plan to Rothesay Life Limited on 27 June 2008, receiving proceeds of £29.0m before transaction costs and corporation tax. The defined benefit pension asset at the date of transfer, calculated in accordance with IAS19, was £137.7m. Further details of the £99.2m pre-tax loss on transfer are detailed in note 4 to the

Finance review continued

financial statements. As a result of the transfer, the Group has no further liabilities in respect of the plan.

VAT refund

On 22 May 2008, the Group announced that the VAT & Duties Tribunal ('the Tribunal') had upheld the Group's £36.3m claim relating to VAT paid on games of interval bingo between 2003 and 2005. The Tribunal determined that the payment of VAT on these games had constituted a contravention of the European Union's law of fiscal neutrality. This decision was appealed by HMRC on 11 July 2008 and the appeal will be considered by the High Court during March 2009.

In November 2008, the Group received a refund of £59.1m covering the period of this claim through to 30 June 2008. After accounting for costs and bingo gross profits tax, this has resulted in an exceptional pre-tax gain of £42.8m being recognised. This gain represents the net overpayments for prior years. The current year impact, including the additional benefit from 1 July 2008, has been recognised within the operating results, which resulted in increased revenue of £13.0m and profit of £6.3m. Statutory interest of £7.0m is due, but not yet paid, on the repayment, of which £5.1m relates to prior years and has been shown as exceptional interest.

In the event that HMRC wins the appeal, the £59.1m will be repayable although the Group would then have the right to further appeal the ruling, eventually through to the European Court of Justice.

In addition, the Group has lodged a number of other VAT refund claims, one of which has been subject to a preliminary ruling in the Group's favour. No benefit has been recognised from these in 2008 and details of these contingent assets are provided in note 37 to the financial statements.

Impairments and onerous leases

The Group has carried out an impairment review of each casino and bingo club in accordance with IAS 36. This requires a comparison of the discounted future cash flows for each club to its carrying value. The impact of the smoking ban, removal of Section 21 machines, increased casino competition, increase in casino duty and general economic conditions have all had a material negative impact on the Group.

The review has resulted in impairments of £8.4m in Top Rank España, £2.8m in Grosvenor Casinos, £1.9m in Mecca Bingo and £1.4m in Rank Interactive. Full details are included in note 13 to the financial statements. In addition we have increased the onerous lease provisions by £4.2m in Mecca Bingo (and released £0.3m in Grosvenor Casinos), following changes to the anticipated future cashflows and a reduction in the discount rate. Onerous leases have an unexpired life of between under one and over 100 years and further details on lease obligations are provided in note 35 to the financial statements.

The Group has a limited number of onerous leases at sites no longer fully utilised by the operating businesses. The provision on these sites has been reduced by £2.2m as a result of changes in the anticipated income generated by these sites.

Property disposals

During the year, the Group closed one Mecca Bingo club at Swindon. The resulting profit on disposal of the property, together with the profit on previously closed properties, net of associated closure and disposal costs, was £4.1m.

Further details on exceptional items are provided in note 4 to the financial statements.

Discontinued operations

Discontinued operations in 2007 comprised the results of Hard Rock up to the date of sale. The results, revenues and costs are shown in a single line on a post-tax basis in the income statement. Further details are provided in note 7 to the financial statements.

Disposal provisions

At 31 December 2008, the Group held £22.2m in provisions for disposed businesses. These costs predominantly relate to outstanding insurance claims; warranty provisions for potential claims; onerous leases; and costs of winding up the tax and legal affairs, where Rank remains responsible, of former Deluxe and Hard Rock companies. The timing and exact amounts of the expenditure are uncertain and further details are provided in note 26 to the financial statements.

During 2008, the Group successfully negotiated the surrender of its onerous lease of the former Deluxe Media facility in Arkansas for a payment of £10m (US$15m) plus costs, with further payments of US$5.4m to be paid in equal instalments over the next five-and-a-half years.

The Group has released £15m of provisions as an exceptional profit on discontinued operations following the surrender of the Arkansas lease, the expiry of warranty periods and an evaluation of the level of likely future costs.

Cash flow and net debt

	2008 (£m)	*2007 (£m)*
Continuing operations		
Cash inflow from operations	**90.2**	101.8
Capital expenditure	**(28.2)**	(47.3)
Fixed asset disposals	**5.6**	29.4
Operating cash inflow	**67.6**	83.9
Acquisitions and disposals	**(3.8)**	495.8
Net cash receipts (payments) in respect of provisions and exceptional costs	**32.3**	(15.8)
	96.1	563.9
Interest, tax and dividend payments	**(28.9)**	(57.3)
Special dividend	**–**	(352.5)
Additional contribution to pension fund	**–**	(19.6)
Net proceeds from disposal of defined benefit pension asset	**28.0**	–
Other (including foreign exchange translation)	**(4.8)**	(2.5)
Discontinued operations	**–**	(1.7)
Decrease in net debt	**90.4**	130.3
Opening net debt	**316.9**	447.2
Closing net debt	**226.5**	316.9

At the end of December 2008, net debt was £226.5m compared with £316.9m at the end of December 2007. The net debt comprised a term loan of £150.0m, £158.0m in convertible unsecured loan stock, £9.9m in fixed rate Yankee bonds, £13.4m in finance leases and £6.9m in overdrafts, partially offset by cash at bank and in hand of £111.7m.

Financial structure and liquidity

The Group banking facilities comprise a syndicated £150.0m term loan and £250.0m multi-currency revolving credit facility, which were arranged in April 2007 and mature in 2012. These facilities require the maintenance of a minimum ratio of earnings before interest, tax, depreciation and amortisation ('EBITDA') to net interest payable and a maximum ratio of net debt to EBITDA, both of which are tested bi-annually at June and December. Further details on the Group's borrowing are provided in note 21 to the financial statements.

In addition, the Group has uncommitted borrowing facilities of £40m, which are available for general use.

In January 2008, the Group repaid its US$100m 6.375% Yankee bonds and in January 2009 also repaid its remaining £158m 3.875% convertible unsecured loan stock. Both were repaid from cash and existing bank facilities.

The Group's facilities are provided by a panel of banks with no single bank providing more than 10% of the facility. The treasury function regularly monitors the financial position of the lending banks to ensure the facilities remain available.

Capital expenditure

	2008 (£m)	*2007 (£m)*
Mecca Bingo	**10.8**	19.8
Top Rank España	**2.2**	4.5
Grosvenor Casinos	**9.9**	17.1
Rank Interactive	**4.7**	4.5
Others	**0.6**	1.4
Total	**28.2**	47.3

Capital expenditure for Mecca Bingo included £0.7m on the completion of Mecca Thanet, £2.3m investment in machines (including adult gaming centres), £2.3m on improvements to food and beverage operations, £0.5m in player tracking technology and £0.7m on various works connected with the introduction of the smoking ban. The balance of expenditure was on club refurbishments and minor capital works.

In Grosvenor Casinos we spent a total of £4.1m on the new G Casino in Aberdeen which opened in October 2008, £1.9m on completion of the new G Casino in Thanet (opened in February 2008) and £0.2m on rebranding Bolton as a G Casino. In addition £0.6m was spent on the introduction of the player loyalty programme. The balance of expenditure was on club refurbishments and minor capital works.

The Group committed £1.0m in energy optimising equipment as part of its efforts to reduce utility costs and its carbon footprint.

The expenditure in Rank Interactive included expansionary capital for the development of our new Spanish bingo website as well as software development and infrastructure investment.

In light of the uncertain economic conditions, the Group will maintain strict control over committing expenditure to capital projects. Although we expect 2009 capital investment to be in the order of £35-40m, expenditure will be phased and dependent on operating performance. This will allow quick reductions in the overall level of capital expenditure, should business conditions deteriorate. The commitments to the 2009 openings of our new G Casino in Dundee and the Mecca club at Beeston Nottingham are not affected by this policy.

Financial risk

The Group's overall risk management strategy focuses on the minimisation of risks for the Group. The Group's funding, foreign exchange, liquidity, counterparty and interest rate risks are managed by the Group's treasury department in accordance with approved policies and are subject to internal audit review. All significant financing transactions and treasury policies are authorised by the board of directors. Implementation of these policies is closely managed by the finance director and the director of corporate finance. The treasury function is not run as a profit centre.

The key financial risks impacting the Group are liquidity risk, interest rate risk and credit risk. In addition, the Group hedges its material exposures to foreign currency translation risk through the use of derivatives or borrowings.

Liquidity risk

Liquidity risk is the risk that cash may not be available to pay obligations when they fall due. Regular cash flow forecasts are prepared that identify the requirements of the Group, and these are regularly updated to ensure sufficient financial headroom exists for at least 12 months. This is coupled with a regular review of medium-term funding requirements which, in particular, are updated alongside the Group's strategic plan process. The Group negotiated new medium-term facilities in 2007, as noted above, which mitigate the liquidity risk it may face.

Interest rate risk

The Group's operating cash flows are independent of changes in interest rates. The Group primarily finances itself through syndicated bank facilities and the public debt market. The bank facilities are multi currency although borrowings are typically drawn in Sterling and euros at floating interest rates. The Group currently has only $14.3m of public bonds outstanding, which mature in 2018. The Group uses interest rate swaps, caps and collars to manage its exposure to interest rate fluctuations and at the end of December 54% of the Group's borrowings were at fixed rates.

Credit risk

Credit risk is the risk that a counterparty may not be able to settle amounts owing in full, when due. Surplus cash is invested in short term financial instruments using a limited number of financial institutions with strong credit ratings. Counterparty credit ratings are reviewed regularly and credit limits set to avoid significant concentration of risk with any one counterparty.

The Group's policies in relation to financial risk are set out in note 24 to the financial statements.

Going concern

In adopting the going concern basis for preparing the financial statements, the directors have considered the issues impacting the Group during 2008, as detailed in the business reviews on pages 14 to 23, and have reviewed the Group's projected compliance with its banking covenants detailed above. Based on the Group's cash flow forecasts and operating budgets, which take into account management's actions on capital expenditure, cost control and dividend suspension, and assuming that trading does not deteriorate considerably from current levels, the directors believe that the Group will generate sufficient cash to meet its borrowing requirements for at least the next 12 months and comply with its banking covenants. Accordingly, the adoption of the going concern basis is appropriate.

Paddy Gallagher
Finance director
25 February 2009

Tax FACT FILE

Rank made a significant contribution to the UK economy in 2008 through tax and employment, as well as benefiting the economies of Spain, Belgium and Alderney.

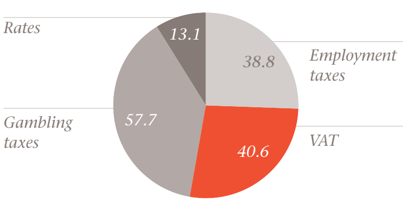
UK tax regime

	Gaming duty / Gross profits tax	VAT*	AMLD (annual)
Bingo			
Main stage bingo	15%	15%	–
Interval bingo	15%	15%***	–
Category B3 gaming machines	–	15%	£2,030
Category C gaming machines	–	15%	£760
Casino			
Casino games	15% – £0 to £1,911k	–	–
(tax on gaming win in a six	20% – £1,911k to £3,228k		
month period)	30% – £3,228k to £5,535k		
	40% – £5,535k to £10,405k		
	50% – over £10,405k		
Poker (player to player)	–	15%	–
Category B1 gaming machines	–	15%	£2,580
Interactive**			
Sports betting	15%	–	–
Gaming (casino, bingo, poker)	15%	–	–

* The standard rate of VAT is expected to revert to 17.5% on 1 January 2010.
** Rank's interactive business is based offshore (Alderney, Channel Islands) and is not subject to this taxation.
*** Rank is currently not paying VAT on interval bingo (see page 28 for detailed explanation).

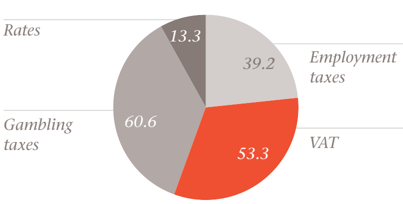
Tax generated 2008

£150.2m



Tax generated 2007

£166.4m



The UK is the principal tax jurisdiction for Rank, with 80% of the Group's revenue in 2008 (2007: 84%) generated by businesses in England, Scotland and Wales.

The Group's businesses generated £150.2m (2007: £166.4m) for the Exchequer and local government in VAT, gambling duties, income tax, National Insurance contributions and local business rates. The broader impact of Rank's operations, including taxes paid by supplier companies and the economic consequences of providing employment to more than 7,500 people, is harder to quantify but perhaps no less significant.

In 2008, the amount of VAT and gambling duties generated by Mecca Bingo and Grosvenor Casinos was 8.8% lower than in 2007, while aggregate revenue from the two businesses (excluding the two Belgian casinos) had only fallen by 4.4%. We paid 21.5% of our gross revenue across to central government in VAT and gaming taxes (2007: 22.3%).

The table above sets out the different types of taxation that apply to each sector in which Rank operates and highlights the inequitable treatment of bingo, which is the only form of gambling in the UK to bear double taxation (where revenue is subject to both VAT and gross profits tax). This situation continues despite intensive lobbying by Rank and the rest of the bingo industry. At a time when clubs are closing and the economy is in recession, it is patently unfair for low-stakes social gaming to continue to bear this burden. We will continue our lobbying activity in conjunction with our members.

VAT and fiscal neutrality

The Group has invested a large amount of time and money in pursuing a number of fiscal neutrality claims. In simple terms, EU VAT principles require that similar services are taxed in the same way. A major case in the European Court of Justice (Linneweber) was a key precedent for the gambling industry and is the basis for a number of claims being made.

As noted earlier, the Group successfully recovered £59.1m in overpaid VAT during 2008, although HMRC is appealing the tribunal decision. We have also lodged other claims as set out in note 37 (contingent assets) and believe we have a reasonable chance of success. The table to the left sets out the current position on the claims.

VAT reclaims

Claim	Period	Amount (£m)	Status
Overpayment of VAT on mechanised cash bingo	2003-2008	£59.1m	Money received but HMRC is appealing. Case to be heard in March 2009.
Overpayment of output VAT on machine income	2003-2008	up to £26m	Initial ruling in Rank's favour. Second stage to be heard October 2009.
Incorrect introduction of 3-year cap on VAT reclaims	various	not known at present	Claims being investigated.

GOVERNANCE

Board of directors

1. Name: **Peter Johnson**
Title: Chairman
Appointment: January 2007
Age: 61
Skills and experience: He is currently chairman of Inchcape plc, having been group chief executive from 1999 until 2005. He is also a non-executive director of Bunzl plc and vice president of the Institute of the Motor Industry. He was previously sales and marketing director of the Rover Group, chief executive of the Marshall Group and a non-executive director of Wates Group Limited.

2. Name: **Ian Burke**
Title: Chief executive
Appointment: March 2006
Age: 52
Skills and experience: He was previously chief executive of the Holmes Place Group (the former health club operator), chief executive of Thistle Hotels plc and managing director of Gala Clubs, the bingo operator. He is currently a director of Business in Sport and Leisure Limited.

3. Name: **Paddy Gallagher**
Title: Finance director
Appointment: June 2008
Age: 45
Skills and experience: He was previously finance director of Quadriga Worldwide Limited and held a number of senior finance positions in the technology sector, with Dell Corporation, Wang and Sun Microsystems.

4. Name: **Richard Greenhalgh**
Title: Senior independent non-executive director
Appointment: July 2004
Age: 64
Skills and experience: Formerly chairman of Unilever UK from 1988 until 2004. Currently chairman of The Council for Industry and Higher Education, CARE International UK, First Milk, and chairman of the UK advisory board of a US listed outsourcing company, OPI.

5. Name: **Owen O'Donnell**

Title: Non-executive director

Appointment: September 2008

Age: 42

Skills and experience: Currently chief financial officer of Joost, the online media company. Previous appointments include chief financial officer of the online gaming companies Betfair and King.com, director of finance and performance measurement at Pearson plc and finance director of FT.com and Extel.

6. Name: **Bill Shannon**

Title: Non-executive director

Appointment: April 2006

Age: 59

Skills and experience: Currently chairman of Aegon UK plc and The Grill Group and he is also a non-executive director of Barratt Developments plc and an operating partner at Tri-Artisan Partners, a private equity house. Previously he was an executive director of Whitbread PLC, chairman of the Gaucho Grill restaurant group and a non-executive director of Matalan plc.

7. Name: **John Warren**

Title: Non-executive director

Appointment: January 2006

Age: 55

Skills and experience: Formerly group finance director of WH Smith PLC and United Biscuits plc and a non-executive director of RAC plc and Rexam plc. Currently holds non-executive directorships at Bovis Homes Group plc, BPP Holdings plc, Spectris Plc and Uniq plc.

Executive committee

Rank's executive committee assists the chief executive in directing and promoting the profitable operation and development of the Group.

Name: **Ian Burke**

Title: Chief executive

Skills and experience: See opposite

Name: **Paddy Gallagher**

Title: Finance director

Skills and experience: See opposite

Name: **Frances Bingham**

Title: Company secretary

Age: 44

Skills and experience: Joined Rank in April 2008. For eight years she was company secretary and legal director of the health and fitness group, Holmes Place, and prior to that she was a solicitor in private practice.

Name: **Alan Armstrong**

Title: Compliance and development director

Age: 54

Skills and experience: Appointed compliance and development director in July 2006 having been divisional compliance director for Rank's gaming division since 1996. Prior to that he held positions in training, audit and compliance, licensing, security, health and safety, property and development, legal and insurance and public affairs.

Name: **Julian Barker**

Title: Director of strategy

Age: 37

Skills and experience: Joined Rank in February 2008 as director of strategy. Previous roles include director of strategy at Orange and director of strategy and planning at Wanadoo.

Name: **Valentin Coruña**

Title: Managing director, Top Rank España

Age: 55

Skills and experience: Joined Rank to set up Top Rank España in 1994. Previous positions in the Spanish gaming industry include director of new business with Cirsa.

Name: **Mark Jones**

Title: Managing director, Rank Interactive

Age: 44

Skills and experience: Joined Rank as managing director of its interactive business in December 2008. He was founder and chief executive of Online Travel Corporation plc and managing director of lastminute.com. In addition, he has held senior management positions at Travelocity and Harrods.

Name: **Phil Urban**

Title: Managing director, Grosvenor Casinos

Age: 46

Skills and experience: Joined Rank in June 2008 as managing director of its casino businesses. His previous roles include managing directorships of both Whitbread's pub restaurants division and Scottish and Newcastle's restaurants and accommodation division.

Name: **Sue Waldock**

Title: Human resources director

Age: 56

Skills and experience: Appointed group human resources director in October 2006. Previously she held the position of human resources director for Rank's gaming division. She is a fellow of the Chartered Institute of Personnel Development and chairman of the employment group for Business in Sport and Leisure Limited.

Name: **Simon Wykes**

Title: Managing director, Mecca Bingo

Age: 41

Skills and experience: Appointed managing director of Mecca Bingo in April 2006. Previously he held the positions of operations director and regional director for Mecca Bingo. He has also worked for Leisure Parcs, Gala Group (in bingo clubs and casinos) and First Leisure.

Corporate governance

The policy of the board is to manage the affairs of the Company in accordance with the principles of the Combined Code on Corporate Governance issued by the Financial Reporting Council in 2006 ('the Code'). This section explains how the Company applies the principles of the Code.

Has the Company complied with the Code provisions?

The Company has, throughout the year, complied fully with the provisions of the Code.

Who is on the Company's board of directors?

The board comprises a non-executive chairman, four independent non-executive directors and two executive directors, whose biographical details are given on pages 32 and 33.

Changes to the board since 1 January 2008 are as follows:

Peter Gill	Finance director	resigned 1 June 2008
Paddy Gallagher	Finance director	appointed 2 June 2008
Owen O'Donnell	Non-executive director	appointed 11 September 2008

Richard Greenhalgh has been the senior independent director since May 2006. The board also considers the chairman, Peter Johnson, as independent. The board reviews non-executive director independence on an annual basis.

The board considers its overall size and composition to be appropriate. The directors have wide-ranging business experience, and no individual, or group of individuals, dominates the board's decision-making process.

The board is mindful of the need to ensure that the chairman has enough time available to devote to the job. The board is satisfied that Peter Johnson's other commitments had no material impact upon the amount of time that he was able to devote to his chairmanship of the Group during the year.

Details of the terms of appointment of each member of the board are given in the remuneration report on page 44 and details of their respective interests in Rank shares are given on pages 45 and 46.

How are appointments to the board made?

The board accepts that there should be a formal, rigorous and transparent procedure for the appointment of new directors. The board has formalised and adopted terms of reference for its nominations committee which are available on written request to the company secretary. Further details regarding the work of the nominations committee can be found on page 36. The board has agreed the terms and conditions for the appointment of non-executive directors, which are also available for inspection and comply with the Code.

All new directors are required to stand for election at the first annual general meeting following their appointment, and thereafter at intervals of not more than three years apart. Non-executive directors are engaged for an initial period of three years, subject to their re-appointment having been confirmed by shareholders, as described above.

What are the board's key responsibilities?

The directors believe that it is essential that the Company should be both led and controlled by an effective board. The board has adopted a formal statement of its powers, duties and responsibilities, and recognises that its main functions are as follows:

- agreeing objectives, policies and strategies, and monitoring the performance of the executive management;
- keeping under review the general progress and long-term development of the Group in light of the political, economic and social environments in which it operates;
- controlling and monitoring the financial state and performance of the Group (including investment and financing plans), determining the desired financial ratios, and approving the objectives of the Group's business plan;
- deciding on major changes in organisation and the shape of the Group, including entry into new fields of operation and departure from those which are no longer appropriate;
- approving major expenditure and transactions with other companies including, for example, acquisitions, disposals, joint ventures and significant supply arrangements;
- ensuring that the Group pursues sound and proper policies in relation to:
  - health and safety matters;
  - environmental and other responsible operational issues; and
  - corporate governance;
- delegating clear responsibility and authority to the chairman, committees of the board, the chief executive, directors or groups of directors, officers and others; and
- giving approval or support, as appropriate, to the most senior appointments in the Group and ensuring that adequate career development, succession and remuneration arrangements exist for them.

There is a formal schedule of matters reserved for the board's decision.

How does the board operate?

Regular board meetings are held (not fewer than eight meetings in a year). At least one meeting is devoted to strategy, and is held offsite from the Company's head office. Ad hoc meetings are also convened to attend to any matters requiring board consideration between regular meetings. The chairman holds at least one meeting a year with the non-executive directors without the executive directors being present and, led by the senior independent director, the non-executive directors meet at least once a year without the chairman present to appraise his performance.

Did the directors attend all board and relevant committee meetings throughout the year?

Details of attendances (actual, and possible in brackets) at the principal board and committee meetings held in 2008, of directors and members of the board committees described on page 36 were as follows:

	Board (Total 10)	*Audit (Total 3)*	*Remuneration (Total 6)*	*Nominations (Total 4)*	*Finance (Total 18)*
Peter Johnson	10 (10)	–	–	4 (4)	17 (18)
Ian Burke	10 (10)	–	–	4 (4)	18 (18)
Paddy Gallagher[1]	6 (6)	–	–	–	10 (10)
Peter Gill[2]	3 (3)	–	–	–	7 (8)
Richard Greenhalgh	10 (10)	2 (2)	6 (6)	4 (4)	–
Owen O'Donnell[3]	4 (4)	1 (1)	–	–	–
Bill Shannon	10 (10)	2 (3)	6 (6)	4 (4)	–
John Warren	10 (10)	3 (3)	6 (6)	3 (3)	–

1 Appointed 2 June 2008.
2 Resigned 1 June 2008.
3 Appointed 11 September 2008.

In the few instances when a director was not able to attend board or committee meetings, his comments on the papers to be considered at that meeting were relayed in advance to the individual chairing the meeting.

Do the directors have the benefit of any insurance or indemnity cover?

The Company has arranged insurance cover in respect of legal action against its directors. To the extent permitted by English law, the Company also indemnifies the directors. Neither the insurance nor the indemnity provides cover in situations where a director has acted fraudulently or dishonestly.

What are the respective roles of the chairman and chief executive?

There is a clear division of the respective responsibilities of the chairman and chief executive. The board has approved formal statements describing the role and remit of both the chairman and the chief executive, which emphasise this division of their responsibilities.

The chairman is responsible for:
- managing the business of the board and presiding over its meetings, resolving differences between directors and seeing that decisions are reached promptly;
- ensuring, through the company secretary, that all directors receive accurate, timely and clear information required for the proper performance of their duties;
- ensuring effective communication with shareholders,
- keeping under review with the board the general progress and long-term development of the Group;
- ensuring the submission to the board by the chief executive of objectives, policies and strategies for the Group consistent with creating lasting shareholder value;
- monitoring progress towards the timely and effective achievement and implementation of the objectives, policies and strategies agreed by the board and ensuring that appropriate decisions are taken promptly by or on behalf of the board;
- the annual evaluation of the board and its committees; and
- ensuring that the corporate governance of the Group is maintained in line with current best practice policies agreed by the board.

The chief executive is responsible for:
- directing and promoting the profitable operation and development of the Group consistent with the primary objective of creating long-term shareholder value;
- exercising executive stewardship of Group intellectual property, and physical and human resources;
- exercising executive stewardship of the provision and maintenance of Group financial resources, and ensuring the implementation of the financial strategies approved by the board;
- being generally responsible to the board for the development of the Group and its profitable operation, including the profits, cash and costs of all businesses;
- effective strategic planning for the Group consistent with the primary objective of enhancing long-term shareholder value, and for preparing objectives, policies and strategies for submission to the board;
- ensuring that such action is taken as is necessary to secure the timely and effective implementation of the objectives, policies and strategies agreed by the board and of decisions taken by or on behalf of the board;
- ensuring that appropriate objectives, policies and strategies are adopted for each of the businesses of the Group, that appropriate budgets are set for them individually, that their performance is effectively monitored, and that guidance or direction is given where appropriate;
- being responsible for health and safety across the Group;
- ensuring that the Group complies with all relevant legislation; and
- leading the Group's processes for communicating to, and consulting with, employees.

What is the role of the senior independent director?

The senior independent director is available to shareholders if they have concerns that have not been, or cannot be, resolved through discussion with the chairman or executive directors. He also chairs meetings of the non-executive directors at which the performance of the chairman is reviewed.

How is the board's performance evaluated?

The evaluation process for the performance of the board as a whole, and that of individual directors, during 2008 was carried out through a questionnaire process between the chairman and each director. This was designed to provide an objective assessment and covered the areas of board process and administration, and the contribution made by each individual.

In addition, led by the senior independent director, the chairman's performance was evaluated by means of a questionnaire. The outcomes of these assessments were then reported to, and discussed by, the whole board. The conclusion was reached that the board continues to function effectively and that both the board and its committees were discharging their duties in full accordance with their terms of reference.

What does the Company do to ensure that the board has sufficient information to enable it to discharge its duties?

The board receives a steady flow of information to enable it to discharge its duties, including a monthly report detailing current and forecast trading results and treasury positions.

It also receives regular updates on shareholders' views as part of the monthly report, and more formal briefings on shareholders' views are given to the board following the presentation of the Company's interim and annual results.

Board papers are generally distributed not fewer than five days in advance of the relevant meeting to allow the directors fully to prepare for meetings, and minutes of committee meetings are circulated to all directors.

The board is kept fully informed of developments within the the Company's businesses through regular presentations by the managing directors of the businesses.

Induction programmes for newly-appointed directors are devised to ensure that directors spend time with operational management and can visit operational sites.

All directors have access to the advice and services of the company secretary, who is responsible for ensuring that board procedures are followed, and to independent professional advice, if required, at the Company's expense.

What board committees does the Company have?

The board has the following committees:
- remuneration
- nominations
- finance
- audit

details of which are given on page 36.

Corporate governance continued

There is also an executive committee which is not a committee of the board. Its role is to assist the chief executive in fulfilling his responsibilities for directing and promoting the profitable operation and development of the Group, consistent with the primary objective of creating long-term shareholder value. The names of its current members, and the positions that they hold within the Company, are set out on page 33.

The remuneration committee

Richard Greenhalgh
Chairman of the remuneration committee

What is the role of the remuneration committee?

The remuneration committee is responsible for determining the remuneration arrangements for the chairman, the executive directors and other members of the executive committee. Details of the composition, role and meeting frequency of the remuneration committee are contained in the remuneration report on pages 41 to 46, which also summarises the Company's remuneration policy and contains details of directors' remuneration.

The nominations committee

Peter Johnson
Chairman of the nominations and finance committees

Who is on the nominations committee?

During 2008, the committee comprised the chairman, the chief executive and three independent non-executive directors:

	Date first appointed
Peter Johnson (committee chairman since 1 March 2007)	1 March 2007
Richard Greenhalgh	22 June 2005
Bill Shannon	3 April 2006
John Warren	1 January 2006
Ian Burke	6 March 2006

What is the role of the nominations committee?

The nominations committee is responsible for identifying and nominating, for the approval of the board, all new board appointments. The board believes that it is helpful for the chairman and the chief executive to be formally involved in this process and thus both of them are members of the committee.

What did the nominations committee do during the year?

During 2008, the committee met formally on four occasions and endorsed the appointment of Paddy Gallagher as a replacement finance director for Peter Gill and the appointment of Owen O'Donnell in order to bring additional online gaming experience to the board. External search consultants were engaged to assist in the process of identifying suitable candidates, which led to these appointments. The committee also endorsed the re-appointment of John Warren as a non-executive director with effect from 1 January 2009.

The finance committee

Who is on the finance committee?

During 2008, the committee comprised the following:

	Date first appointed
Peter Johnson (committee chairman since 1 March 2007)	1 March 2007
Ian Burke	6 March 2006
Paddy Gallagher	2 June 2008
Peter Gill (resigned 1 June 2008)	11 July 2005

What is the role of the finance committee and how often did it meet during 2008?

The finance committee is an executive committee to which certain specific authorities have been delegated by the board, principally in respect of capital expenditure authorisation and the financing of the Group. The committee met on 18 occasions throughout the year under review.

The audit committee

John Warren
Chairman of the audit committee

Who is on the audit committee?

During 2008, the committee comprised the following non-executive directors (all of whom are independent):

	Date first appointed
John Warren (committee chairman since 27 April 2006)	1 January 2006
Richard Greenhalgh	3 March 2008
Owen O'Donnell	11 September 2008
Bill Shannon	3 April 2006

The board is satisfied that, taken as a whole, the committee has recent and relevant financial experience. Normally, the chairman, chief executive, finance director, company secretary and group financial controller attend committee meetings, as do representatives of the external auditors.

What is the role of the audit committee?
In summary, the committee assists the board in reviewing the effectiveness of internal control systems, oversees the establishment, implementation and maintenance of the Company's code of conduct and monitors the Group's whistleblowing programme. The committee also reviews financial statements to be published externally before their submission to the board, in order to ensure that they present a fair assessment of the Group's position and prospects. It also authorises any change in accounting policies. The audit committee's terms of reference are available on written request to the company secretary.

How does the audit committee operate?
The committee meets at least three times a year and at least annually with the external auditors without management being present.

The committee keeps under review the independence and objectivity of the external auditors, and their effectiveness. In particular, the committee oversees the nature and amount of non-audit work undertaken by PricewaterhouseCoopers LLP each year to ensure that external auditor independence is safeguarded. All non-audit services above a value of £50,000 to be performed by the external auditors are required to be approved by the audit committee in advance and the Group's policy is that, where appropriate, non-audit work is put out to competitive tender. Details of the year's fees paid to the external auditors are given in note 3 on pages 62 and 63.

Does the audit committee review the performance of the external auditors?
The committee reviews the effectiveness of the external audit process and the external auditors' performance annually, taking into account the views of management, and feedback is provided to the auditors.

How frequently did the audit committee meet during 2008?
There were three meetings of the committee during the year under review. Attendance details are contained on page 34.

What activities did the audit committee undertake during the year?
In addition to more routine items of business, during 2008 the committee reviewed in detail the results of internal audits of Mecca Bingo clubs, which by the end of the year under review had improved. Additionally, the committee reviewed the risk identification, evaluation and management work that had been undertaken by the executive committee during the year. At two of its meetings during the year, the committee reviewed the work of management in relation to the identification of, and provision of assistance to, problem gamblers and reviewed the procedures in place for combating money laundering and internal fraud and theft. Further information regarding Rank's commitment to protecting vulnerable persons from being harmed by gambling and to preventing its businesses from being a source of crime are contained in the operating responsibly section of this report on pages 24 to 26.

Does the board evaluate the performance of the audit committee?
The audit committee's performance was evaluated through the completion of questionnaires. The results of this evaluation, which was carried out by the members of the committee and members of senior management who had dealings with the committee, were then reviewed by the board which concluded that the committee functions effectively.

How does the Company maintain adequate systems of internal control?
The board maintained the procedures necessary to comply with the requirements of the existing code relating to internal control as described in the October 2005 publication entitled 'Internal Control: Revised Guidance for Directors on the Combined Code' (Turnbull Guidance). In relation to Code provision C.2.1, the board reports below on the procedures that have been applied in reviewing the effectiveness of the system of internal control.

Is there a risk evaluation process?
The board confirms that there is an ongoing process for identifying, evaluating and managing the significant risks faced by the Company. The process has been in place throughout the year and up to the date of approval of this annual report. It is regularly reviewed by the board and accords with the guidance set out in the Turnbull Guidance.

Who is responsible for internal control?
The directors acknowledge that they are responsible for the Group's system of internal control, for setting policy on internal control and for reviewing the effectiveness of internal control. The role of management is to implement board policies on risk and control. The system of internal control is designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable, and not absolute, assurance against material misstatement or loss.

What type of control environment does the Group maintain?
Considerable importance is placed on maintaining a strong control environment. In particular, there is a simple organisational structure with clearly drawn lines of accountability and delegation of authority, adherence to specified codes of conduct is required at all times, and the board actively promotes a culture of quality and integrity.

When was the last risk evaluation exercise undertaken by management?
Following a number of changes to the membership of the executive committee, during the year a further detailed risk assessment process was undertaken which identified the key strategic, operational, financial and compliance risks that the business faces and which included an analysis of the likelihood and impact for each of the risks identified. This was reviewed by the audit committee in December 2008. For the key risks identified, action plans have been developed and are regularly monitored by the executive committee as part of management's procedures.

As part of the risk management process, the audit committee and the board are provided with a report detailing significant risks facing the Group.

Does the Group have an internal audit function?
The Group has an internal audit function that reports to the finance director. Detailed control procedures exist throughout the operations of the Group and compliance is monitored by management, internal auditors and, to the extent they consider necessary to support their audit report, the external auditors. Additionally, a separate compliance function monitors day-to-day

Corporate governance continued

adherence to the provisions of the Gambling Act 2005 and other licensing obligations.

During the year, reports were submitted to the audit committee from the internal audit team summarising the work planned and undertaken, recommending improvements and describing the actions taken by management. The risk-driven annual internal audit plan was also presented for approval by the audit committee.

Does the Group have an effective system of internal control?

The audit committee has reviewed the effectiveness of the system of internal control during the year ended 31 December 2008. This has included consideration of the Group-wide risk assessment and the reports from the Group's internal audit function. The audit committee has also considered reports from the external auditors.

The audit committee has reported the results of its work to the board. The board has considered these reports when undertaking its review of the effectiveness of the Group's system of internal control.

How does the Company communicate with its shareholders?

The Company maintains an active dialogue with its institutional shareholders and city analysts through a planned programme of investor relations, and regular meetings are held with principal shareholders. The outcome of these meetings is reported to the whole board to ensure that it keeps in touch with shareholder opinion. The programme includes formal presentations of the interim and the full-year results.

All shareholders are welcome to attend the annual general meeting and private investors are encouraged to take advantage of the opportunity given to ask questions.

The chairmen of the audit, remuneration and nominations committees attend the meeting and are available to answer questions, as appropriate. A summary presentation of the Group's results and development plans is given by the chief executive at the annual general meeting prior to the commencement of the formal business of that meeting.

Electronic communication is becoming an important medium for shareholders, providing ready access to shareholder information and reports ('Shareholder Information') which has the additional benefit of reducing both cost and environmental burden. Shareholders may choose to receive electronic notification of publication of Shareholder Information on the Company's website instead of receiving printed copies. Shareholders may also, by electronic means, vote and appoint a proxy to vote on their behalf at the annual and other general meetings of the Company. In November, the Company wrote to shareholders advising them that it intended making Shareholder Information available on its website as its default method of publication, save in relation to those shareholders who request in writing to receive such information in paper form.

Other statutory information

Principal activity

The Rank Group Plc is the ultimate holding company of the Rank group of companies. A detailed review of the Group's activities, the development of its businesses and likely future developments is given on page 2 and on pages 7 to 23.

Business review

The information that fulfils the 'business review' requirements of the Companies Act 1985 can be found in this section and the following sections of the annual report:

- Chairman's statement on page 4;
- Market review on page 6;
- Chief executive's review on pages 7 to 11;
- Key performance indicators on page 12;
- Risk assessment on page 13;
- Business reviews on pages 14 to 23;
- Operating responsibly on pages 24 to 26;
- Finance review on pages 27 to 29; and
- Tax fact file on page 30.

All the information detailed in these sections is incorporated by reference into the directors' report and is deemed to form part of the directors' report.

Directors

The membership of the board and biographical details of the directors are given on pages 32 and 33 and are incorporated into the directors' report by reference.

Details of changes to the board of directors during the year are given on page 34.

Details of the directors' interests in the shares and share incentive plans of the Company are contained in the remuneration report on pages 45 and 46.

Directors' powers

The directors may exercise all the powers of the Company subject to the provisions of relevant legislation and the Company's memorandum and articles of association.

The Company's articles of association contain specific provisions with regard to a number of matters, including:

- the appointment, subject to subsequent shareholder approval, of directors;
- the delegation of powers to a director or secretary or committees of one or more persons;
- the Company's power to borrow money;
- the ability of a director to vote in relation to a matter in which he has an interest.

Changes to the Company's articles of association may only be made by a resolution of shareholders passed by a majority of not less than 75%.

A copy of the Company's articles of association can be obtained upon written request to the company secretary or from Companies House.

Share capital

The Company's authorised share capital as at 31 December 2008 was £180m divided into 1,296,000,000 ordinary shares of $13\frac{8}{9}$p each and there were 390,529,314 shares in issue. The ordinary shares are listed on the London Stock Exchange and can be held in certificated or uncertificated form.

The rights and obligations attaching to the Company's ordinary shares, in addition to those conferred on their holders by law, are set out in the Company's articles of association. Holders of ordinary shares are entitled to receive the Company's annual report and financial statements, to attend and speak at general meetings of the Company, to exercise voting rights and to appoint proxies.

Issuing of new shares

At the 2008 annual general meeting, the directors were authorised by shareholders to allot and grant rights over the unissued share capital and to allot and grant rights over ordinary shares up to a maximum nominal amount representing 5% of the issued ordinary share capital without first making a pro rata offer to all existing ordinary shareholders.

The Company has not used any part of the existing authorities, which are due to expire on 23 April 2009, and shareholder approval will be sought at the 2009 annual general meeting to renew these standard authorities for a further year.

Market purchases of own shares

At the 2008 annual general meeting, the Company was authorised by shareholders to purchase in the market up to 58.5 million shares, representing 15% of the Company's issued share capital, as permitted under the Company's articles of association. The Company would use the authority to make market purchases if the board considered it to be in the best interests of shareholders generally and if the purchase could be expected to result in an increase in earnings per share. The Company has not used any part of the existing authority, which is due to expire on 23 April 2009, and shareholder approval will be sought at the 2009 annual general meeting to renew the standard authority for a further year.

Significant shareholders

At the date of this report, the following interests of 3% or more of the total voting rights attached to the ordinary shares have been notified to the Company in accordance with the Financial Services Authority's Disclosure and Transparency Rules:

Date last notified	*Shareholder*	*Voting rights*	*% held*
04 Feb 2009	Hong Leong Company (Malaysia) Berhad	101,590,149	26.01%
07 Mar 2008	Genting Berhad	43,092,136	11.03%
20 Feb 2009	BT Pension Fund Trustees Limited (as Trustee of BT Pension Scheme)	22,594,398	5.79%
18 Feb 2009	The Hermes UK Focus Fund*	15,536,932	3.98%
24 Feb 2009	Devon County Council**	13,261,102	3.40%
17 Feb 2009	Prudential Plc	20,764,745	5.31%
09 Oct 2008	FIL Limited	19,383,829	4.96%
24 Nov 2008	Legal & General Group plc	15,602,161	3.99%
21 Jan 2009	Aviva plc	15,573,063	3.99%
26 Jan 2009	Barclays PLC	12,066,989	3.09%

* The Hermes Focus Fund's interest is also included within BT Pension Fund Trustees Limited's interest.

** Devon County Council has a material interest by virtue of its relationship with The Hermes UK First Focus Fund (11,454,857 shares) and The Hermes UK Third Focus Fund (1,806,245 shares).

Change of control

The Group's principal term loan and revolving credit facility agreement contains a provision that, on a change of control of Rank, immediate prepayment of all advances together with accrued interest can be demanded and the facilities cancelled.

The Company has arrangements with two employees providing for compensation for loss of employment in the event of a change of control of Rank and in the event that no suitable roles are offered to them by the new owner.

The provisions of the Company's share schemes and incentive plans may cause options and awards granted to employees under such schemes and plans to vest on takeover.

The Gambling Act 2005 contains provisions with regard to the impact on licences of a change of control of a licence holder. Details of these provisions can be found at www.opsi.gov.uk/acts/acts2005/ukpga_20050019_en_1

Charitable donations

Charitable donations made or committed in the UK during the year amounted to £264,000 (2007: £236,000). The largest single commitment was £258,000 (2007: £220,000) in favour of the Responsibility in Gambling Trust. Further information regarding this can be found in the responsible operation section of this report on pages 24 and 26.

Political donations

The Group made no political donations during the year.

Contractual and other arrangements

As part of the Group's overall risk management process, management assesses and records risk across the Group's major suppliers. Contingency plans have been developed in the event of any of the Group's key supply arrangements being terminated with little or no advance warning. The Group's procurement team also reviews the financial health of Rank's main suppliers. Whilst the sudden or unexpected termination of a number of the Group's major supply arrangements could be disruptive, termination would not have a severe adverse impact on any of Rank's businesses.

Creditor payment policy

The Group agrees terms and conditions for its business transactions with its suppliers. Payment is then made on these terms, subject to terms and conditions being met by the supplier. The Company has no trade creditors.

Employees

The Group recognises that the contribution made by its employees is crucial to the success of each of its businesses. Substantial investment is therefore made in the training, development and motivation of employees, with particular attention to ensuring customer satisfaction through the consistent achievement of high standards of service and delivery of quality products.

The Group believes that it benefits from having a diverse workforce and therefore endorses the active application of equal opportunities, policies and programmes to provide fair and equitable conditions for all employees regardless of gender, family status, religion, creed, colour, ethnic origin, age, disability or sexual orientation.

Employee involvement in the direction and objectives of the Group's businesses is encouraged through communication and consultation programmes that exist throughout the Group.

In line with the Group's legal obligations, all reasonable adjustments are made to accommodate the disabilities of any

Other statutory information continued

employees, whether those disabilities arose before or during their employment with Rank.

Health and safety

The chief executive has been nominated by the board as the main board director responsible for health and safety throughout the Group. The Group's individual businesses establish health and safety objectives consistent with the overall Rank Group health and safety policy. Each business's managing director is responsible for monitoring these health and safety objectives and assessing progress towards their achievement, which progress is reported to the Group's health and safety manager. Each business has satisfactory employee safety consultation arrangements in place.

Directors' responsibilities for financial statements

The directors are responsible for preparing the annual report, the directors' remuneration report and the financial statements of the Group and the Company in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for the Group and the Company in respect of each financial year. Under that law, the directors have prepared financial statements for the Group and the Company in accordance with International Financial Reporting Standards ('IFRS') as adopted by the European Union.

The financial statements are required by law to give a true and fair view of the state of affairs of the Company and the Group and of the profit or loss of the Group for that period.

In preparing these financial statements the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state that the financial statements comply with IFRS as adopted by the European Union; and
- prepare the financial statements for both the Company and the Group on the going concern basis, unless it is inappropriate to presume that the Group will continue in business, in which case there should be supporting assumptions or qualifications as necessary.

The directors confirm that they have complied with the above requirements in preparing the financial statements.

The directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the Company and the Group and to enable them to ensure that the financial statements and the directors' remuneration report comply with the Companies Act 1985 and, as regards the Group financial statements, Article 4 of the IAS Regulation. They are also responsible for safeguarding the assets of the Company and the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are also responsible for the maintenance and integrity of Rank's corporate website, on which this annual report and financial statements will be published. In relation to this, the directors would like to draw attention to the fact that legislation in the UK concerning the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Provision of information to auditors

So far as the directors are aware, there is no relevant audit information of which the auditors are unaware. Each director has taken all of the steps that he thought should have been taken to make himself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

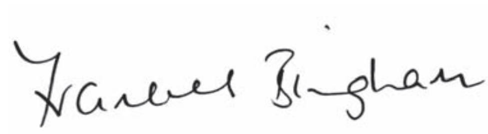
Auditors

The auditors, PricewaterhouseCoopers LLP, are willing to continue in office and a resolution that they be re-appointed at a remuneration to be agreed by the audit committee will be proposed at the forthcoming annual general meeting.

Annual general meeting

The 2009 annual general meeting will be held on 23 April 2009 and the full text of the notice of the meeting, together with explanatory notes, is set out in a separate document which can be found on our website and, for those shareholders who have elected to receive paper copies of this report, is enclosed with this report.

By order of the board



Frances Bingham
Company secretary
25 February 2009

Registered in England & Wales No. 03140769
Registered office:
Statesman House
Stafferton Way
Maidenhead
Berkshire SL6 1AY

This remuneration report has been prepared on behalf of the board by the remuneration committee. In all its activities, the remuneration committee has adopted the principles of good governance as set out in the Combined Code on Corporate Governance issued by the Financial Reporting Council ('the Combined Code') and complies with the Directors' Remuneration Report Regulations 2002 ('the Regulations'), the Listing Rules of the Financial Services Authority and Schedule 7A to the Companies Act 1985.

The Regulations require the auditors to report to the Company's shareholders on the audited information contained in this report and to state whether, in their opinion, the report has been properly prepared in accordance with the Companies Act 1985.

A resolution to approve this remuneration report will be proposed at the annual general meeting to be held on 23 April 2009.

Unaudited information

What are our principles?

The board believes that a properly constituted remuneration committee is essential in establishing a system of remuneration that clearly aligns the interests of executive directors and senior executives with those of shareholders.

The board is committed to setting objectives such that the remuneration of executive directors and senior executives is directly linked to the delivery of strategic objectives that are closely aligned with the interests of shareholders.

Who makes up the remuneration committee?

During 2008, the committee comprised the following non-executive directors (all of whom are independent):

	Date first appointed
Richard Greenhalgh (committee chairman since 27 April 2006)	1 July 2004
John Warren	1 January 2006
Bill Shannon	3 April 2006

There were six meetings of the committee during the year under review, each of which was attended by all the committee members.

At the invitation of the committee chairman, the company chairman, the chief executive, the human resources director and the company secretary attend the committee's meetings, although they are not present at any discussion regarding their own remuneration.

What is the role of the remuneration committee?

The board is responsible for approving the most senior appointments in the Group and ensuring that adequate career development, succession and remuneration arrangements exist for them.

The board has delegated to the remuneration committee the responsibility for setting the remuneration, benefits and employment packages for the company chairman, executive directors, other members of the executive committee and other direct reports of the chief executive.

The committee regularly reviews the Company's remuneration policies and practices to facilitate the employment and motivation of personnel with a view to providing the packages needed to attract, retain and motivate directors and senior executives of the quality required to deliver the Company's strategic objectives without paying more than is necessary for this purpose.

In carrying out its duties, the committee consults the company chairman and chief executive about its proposals and has access to professional advice inside and outside the Company.

Watson Wyatt Worldwide were appointed by the committee in 2006 to advise it, and the board, on remuneration issues and share-based incentive arrangements for executives. They have not provided any other services to the Group during 2008. The Group's human resources function and company secretary have assisted the committee by preparing reports on remuneration and employment conditions within the Group.

The formal terms of reference of the remuneration committee are available on written request to the company secretary.

Does the board evaluate the performance of the remuneration committee?

In 2008, the remuneration committee's performance was evaluated through the completion of questionnaires. The results of the evaluation, which was carried out by the members of the committee and other individuals who interact with the committee, were then reviewed by the committee chair and discussed with the board. The board concluded that the committee was performing effectively. It was also agreed that during 2009 the committee would need to devote extra time to developing a new long-term incentive plan for members of the executive committee.

What is our remuneration policy?

Non-executive directors

The chairman and non-executive directors receive fees only and do not participate in the Company's bonus, share, pension or long-term incentive plans. Fees paid to non-executive directors are set at a level to ensure that the Company attracts individuals with the requisite skills and experience and to reflect the time commitment and responsibility associated with each role.

Executive directors

The committee seeks to ensure that remuneration and incentive arrangements for executive directors and other executive committee members are aligned with the interests of shareholders and match market practice in similar-sized companies and Rank's principal competitors.

The committee believes that performance-related pay should constitute a significant element of the remuneration package and that this, in conjunction with shareholding guidelines for the executive team, is the most appropriate way to incentivise and reward executives for the achievement of both the short and longer-term strategic objectives of the Group. The structure and size of awards are regularly reviewed by the committee to ensure that they meet their objectives.

The key components of Rank's remuneration structure for executive directors and other executive committee members are:
- base salary;
- pension and other benefits;
- annual cash bonus; and
- long-term incentives.

Remuneration report continued

Expected value of executive directors' future annual remuneration package (percentages of total target package)

	Chief executive	*Finance director*
Long-term incentives	18%	20%
Base salary	44%	51%
Annual cash bonus	22%	21%
Pension	16%	8%

What pay and benefits does the board receive?

Chairman
The committee determines the fees payable to the chairman, which reflect the level of commitment and responsibility of the role. The fee is £150,000 and has not increased since 1 January 2007. The chairman also receives a travel expense allowance of £10,000.

Non-executive directors
Fees for non-executive directors are set by the chairman and executive directors and are set to ensure that the Company attracts the necessary skills and experience required and to recognise the responsibility and time commitment required to fulfil their duties.

Basic annual fee	£38,000
Audit committee chair	£8,500
Remuneration committee chair	£7,500
Senior independent director	£2,500

These fees have not increased since 1 January 2006.

The directors' remuneration table on page 45 reflects the fees paid during the year to each non-executive director.

Executive directors
Salaries and benefits for executive directors are determined by the committee.

Base salary
Base salaries are targeted to be broadly in line with the market median level. Data provided by independent remuneration consultants is used by the committee to ensure alignment with comparator groups. When making decisions on individual base salaries, the committee considers market data, personal performance, Company performance and increases awarded elsewhere in the Group.

Base salary is normally reviewed annually and any increase awarded from 1 January. However, in order to address the trading deterioration in Mecca Bingo and Grosvenor Casinos during the last quarter of 2007, a decision was taken to defer all January 2008 pay reviews other than in Rank Interactive and Top Rank España. This deferral applied equally to the executive directors and all other members of the executive committee at that time. As a result of a marked and continuing improvement in trading performance during the first half of 2008, a pay review was implemented on and with effect from 1 July 2008 on the basis that the next review would not be until January 2010. At his instigation, the chief executive was excluded from the 1 July 2008 pay review and his salary will next be considered for review effective from 1 January 2010. Paddy Gallagher joined Rank on 2 June 2008 and his salary will next be considered for review effective from 1 January 2010.

Pension and other benefits
Benefits are provided in accordance with normal market practice and include long-term disability and health insurance, life assurance and a car or car allowance.

Ian Burke receives a company contribution of 35% of base salary under the Group's Self-Invested Pension Plan ('SIPP'). Paddy Gallagher does not participate in the Company's pension arrangements and instead receives a supplement of 15% of base salary in lieu of pension provision.

The Company's defined benefit pension plan was closed on 27 June 2008 when the assets and liabilities were transferred to Rothesay Life. Active plan members were offered a choice of joining the Company's stakeholder pension plan or receiving a salary supplement in lieu of pension provision. This did not impact the executive directors as they were not members of the plan, but it did affect certain members of the executive committee.

Annual cash bonus
The annual cash bonus for executive directors is intended to incentivise them and reward success in achieving objectives measured by performance against specific financial targets. The target and maximum bonus opportunities for the executive directors are set out in the table below. The maximum bonus opportunity necessitates achievement significantly in excess of target.

	Target bonus as a percentage of base salary	*Maximum bonus opportunity as a percentage of base salary*
Chief executive	50%	100%
Finance director	40%	80%

2008 outcome
In 2008, the overriding aim for the executive team was to restore Mecca Bingo and Grosvenor Casinos to proper profit levels. As a consequence, operating profit targets constituted the sole bonus measure. Based on this measure and target, the annual cash bonus earned by Ian Burke was 51.1% of salary. In October 2008, Ian Burke received payment of his 2007 restructuring bonus of £85,000, which had been deferred due to the trading difficulties in the second half of 2007. 2008 annual bonus targets having been achieved, Ian Burke has also received payment of his deferred 2007 annual cash bonus of £102,434. In addition, Peter Gill, who left the Group in June 2008, earned a pro-rata bonus of 40.9% of his then base salary. Paddy Gallagher, who joined as finance director in June 2008, received a pro-rata bonus of 40.9% of his base salary.

2009 scheme
For 2009, the target and maximum bonus for the chief executive, finance director and non-operational executive committee members will remain at 2008 levels and be based on Group operating profit. Operational executive committee members will have a primary business-specific profit measure equivalent to 75% of the available bonus opportunity and a secondary Group profit measure with a 25% weighting. The overall bonus potential for the executive committee is 40% of base salary for target achievement and 80% of base salary for maximum performance.

Long-term incentives
Save-As-You-Earn Scheme ('SAYE')
The Company has for many years offered all UK employees the opportunity to participate in a SAYE. Under the terms of this

arrangement, participants can save a fixed amount of up to £250 per month for either three or five years. At the end of the period, the accumulated savings plus interest may be used to purchase shares in the Company at a price fixed at a 20% discount to the market value at the commencement of the savings period. In line with market practice, there is no performance condition attaching to the exercise of options.

No SAYE scheme was offered in 2008 and the Company is reviewing its continued provision of this benefit in the light of recent changes in the accounting treatment of options.

Executive Share Option Scheme ('ESOS')
At the 2007 annual general meeting, shareholders agreed the board's proposal to suspend grants under the ESOS with immediate effect. As a result no grants were made in 2007 or 2008. In 2006, executive directors and some senior executives received options to buy shares at a price fixed at the market value at the grant date. Vesting is conditional on an increase in normalised earnings per share ('EPS') above the UK Retail Price Index ('RPI') over a three-year performance period as shown below:

Total exercise price	*Performance condition*
Up to 1 x base salary	RPI + 3% per annum
Up to 2 x base salary	RPI + 5% per annum
Up to 3 x base salary	RPI + 7% per annum

Performance condition re-testing is not permissible for ESOS awards granted during or after 2005. Grants prior to 2005 may have their performance period extended by one year. The remuneration committee will ensure the appropriate measurement of EPS by calculating EPS on a consistent basis for the base period and the end of the period.

SAYE and ESOS option requirements are dealt with through the issue of new shares and the committee takes due account of institutional guidelines on annual flow rates whenever share options are granted.

The executive directors' interests in ESOS and SAYE are shown in table 2 on page 46.

Long-Term Incentive Plan ('LTIP')
Under the terms of the 2006 LTIP award to executive directors and selected senior executives, vesting of shares is conditional on a 2% per annum growth in normalised EPS over a three-year period and a median relative total shareholder return ('TSR') achievement against a comparator group. For upper quartile performance, vesting is at 100% and 30% for median with straight-line vesting at intermediate points. There is no vesting where performance is below median.

A TSR criterion was selected by the committee because of its link with shareholder value, and a secondary criterion of EPS growth was selected to ensure that awards would not vest at a time of overall unsatisfactory financial performance.

2006 comparator companies:
- De Vere
- Intercontinental Hotels
- Enterprise Inns
- Ladbrokes
- London Clubs International
- Luminar Group Holdings
- Millennium & Copthorne Hotels
- Mitchells & Butlers
- Punch Taverns
- Stanley Leisure
- Wetherspoon
- Whitbread
- William Hill

When a comparator company de-lists, its TSR at the delisting date is increased in line with bank base rates for future monitoring.

TSR is measured and monitored by independent consultants who track changes in ordinary share price across the performance period and the gross value of dividends, assuming immediate re-investment in shares during that period. To lessen the effect of short-term TSR volatility, the daily closing price averages for shares over the previous three months are used.

The TSR ranking at 31 December 2008 for 2006 awards was:

	TSR ranking at 31 December 2008	*Vesting*
2006	13th out of 14	Nil

In 2007, the executive directors and other executive committee members received an overall award of shares of 100% of base salary. Two grants, each equivalent to 50% of base salary, were made and these are subject to EPS performance measures, one over a three-year period and the other over a four-year period. The committee also intends to reference the FTSE-350 return index when considering whether it is appropriate for grants to vest or not.

Three-year performance (2009 EPS targets)	Minimum level: EPS of 7.8p per share (30% of grant vests) Maximum level: EPS of 10.4p per share or more (100% of grant vests)
Four-year performance (2010 EPS targets)	Minimum level: EPS of 9.0p per share (30% of grant vests) Maximum level: EPS of 12.0p per share or more (100% of grant vests)

Vesting is on a straight line basis for performance between minimum and maximum.

These conditions were selected to reflect the fact that Rank operates in a relatively volatile and specialised sector, which makes comparison against general market indices problematic. Rank also has a limited number of direct comparators which makes selection of an appropriate comparator group for relative performance conditions difficult. It is felt that previous comparator groups have not been the best suited to Rank. Accordingly the committee has chosen to use absolute performance measures.

The committee will also be mindful of the relative performance of the FTSE-350 when assessing whether awards vest or not.

In September 2008, executive directors and other executive committee members were made an award of shares under the LTIP of 100% of base salary. The grant is subject to EPS performance measures over a three-year period and, again, the committee will additionally review the FTSE-350 return index when determining if grants should vest.

Three-year performance (2010 EPS targets)	Minimum level: EPS of 6.0p per share (30% of grant vests)
	Maximum level: EPS of 10.0p per share or more (100% of grant vests)

Remuneration report continued

In setting EPS targets, in respect of the initial award in 2007, the remuneration committee sought the views of its major shareholders and institutional investment bodies such as the Association of British Insurers (ABI) and Research Recommendations and Electronic Voting (RREV). In setting targets for subsequent awards, the committee seeks to establish comparably stretching targets having regard to trading conditions at the time and analyst consensus forecasts.

What is the term of appointment of board members?

Chairman

Peter Johnson was appointed deputy chairman on 1 January 2007 and became chairman on 1 March 2007, for an initial period of three years. The appointment is terminable by either party on three months' notice without liability for compensation.

Non-executive directors

The non-executive directors have letters of appointment with the Company for an initial three-year term which are terminable on three months' notice by either party without liability for compensation. Their respective dates of appointment are as follows:

	Date first appointed
Richard Greenhalgh	1 July 2004
John Warren	1 January 2006
Bill Shannon	3 April 2006
Owen O'Donnell	11 September 2008

Executive directors

The Company's policy is that executive directors' contractual notice periods should not normally exceed 12 months. Both Ian Burke and Paddy Gallagher have one year notice periods. Any compensation payment made as a consequence of an executive director leaving the Company's employment is, where possible, mitigated and is subject to remuneration committee approval, having regard to the terms of their contract and the reasons for the termination. Except as required contractually, severance payments are normally limited to payment of un-worked contractual notice, comprising base salary and a cash value in respect of fixed benefits (including pension contributions). In situations involving breach of the Company's policies resulting in dismissal, either a reduced payment or no payment may be made. Depending on the circumstances, the executive may be entitled to exercise, or the remuneration committee may exercise its discretion to permit an exercise, of outstanding share options or long-term incentive grants subject to the rules of the relevant plan.

What are the executive directors' external appointments?

The Company recognises that executive directors may be invited to become non-executive directors of other companies and that such appointments can broaden their knowledge and experience, to the benefit of Rank. Executive directors are allowed to accept one external appointment in a non-executive capacity and to retain any fees received, with the proviso that there is no conflict of interest and the commitment is not excessive. Ian Burke is currently a non-executive director of Business In Sport & Leisure Limited and receives no fee for this directorship. He holds no other non-executive directorships. Paddy Gallagher does not currently hold any non-executive directorships.

What is the shareholding policy for board members?

Chairman

The chairman is expected to acquire a sizeable shareholding in the Company during the course of his appointment.

Non-executive directors

Throughout 2008, 30% of the net base fees (after tax) paid to non-executive directors were required to be used on a quarterly basis to purchase ordinary shares in the Company, which shares must be retained throughout service. With effect from 1 January 2009, non-executive directors are no longer required to apply any part of their base fees in purchasing Rank shares. However, as at the date of this report, all non-executive directors are continuing to apply 30% of their net base fees in purchasing Rank shares on a quarterly basis.

Executive directors

The shareholding guideline for the chief executive is 150% of base salary, 100% for the finance director and 50% for other members of the executive committee. All executives are given five years from appointment to build up this level of shareholding.

Summary board contract terms and annual fees/salaries

Name	*Appointment date*	*Notice period*	*Base fee/ salary*	*Committee chair fee*	*Senior independent director fee*	*Current annual fee/salary*
Chairman						
Peter Johnson	1 March 2007	3 months	£150,000	–	–	£150,000
Executive directors						
Ian Burke	6 March 2006	12 months	£525,300	–	–	£525,300
Paddy Gallagher	2 June 2008	12 months	£300,000	–	–	£300,000
Non-executive directors						
Richard Greenhalgh	1 July 2004	3 months	£38,000	£7,500	£2,500	£48,000
Owen O'Donnell	11 September 2008	3 months	£38,000	–	–	£38,000
Bill Shannon	3 April 2006	3 months	£38,000	–	–	£38,000
John Warren	1 January 2006	3 months	£38,000	£8,500	–	£46,500

What are the directors' interests in the Company?

The beneficial interests of the directors and their connected persons in the shares of the Company are shown below:

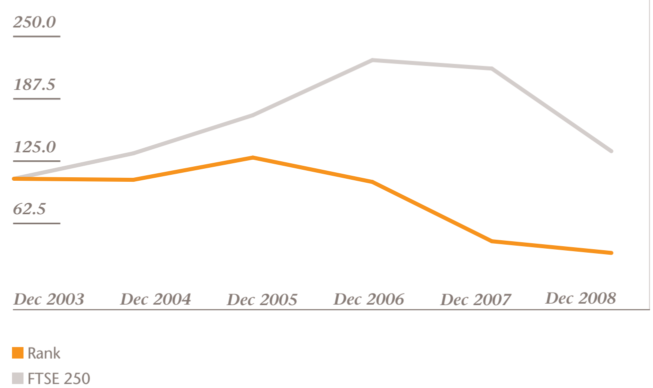
Name	*Ordinary $13^8/_9$p shares as at 25 February 2009*	*Ordinary $13^8/_9$p shares as at 31 December 2008*	*Ordinary $13^8/_9$p shares as at 1 January 2008*
Chairman			
Peter Johnson	**45,000**	45,000	45,000
Executive directors			
Ian Burke	**75,553**	75,553	75,553
Paddy Gallagher	**–**	–	–
Non-executive directors			
Richard Greenhalgh	**19,816**	19,816	9,938
Owen O'Donnell	**1,902**	1,902	–
Bill Shannon	**21,200**	21,200	11,117
John Warren	**26,328**	26,328	14,564

Executive directors are deemed to have an interest in the ordinary shares of the Company held by the Rank Group Employee Benefit Trust. As at each of 1 January 2008, 31 December 2008 and the date of this report the Rank Group Employee Benefit Trust held 1,059,826 ordinary $13^8/_9$p shares. The Trust holds shares to satisfy the awards vesting from the LTIP. Periodically, an estimate is made of the awards likely to vest and shares are purchased as appropriate.

How has the Company performed over the last five years?

The Company's TSR performance (shown in orange on the chart below) compared with the FTSE-250 index (excluding investment companies) for the five years to 31 December 2008 is shown below. The Committee has selected this index as the Company was a constituent of the FTSE-250 for the majority of this period.

Value of hypothetical £100 holding



Audited information

Table 1: Directors' remuneration summary

The detailed emoluments received by the directors for 2008 are shown below with the annual rate of base pay from 1 January 2009:

	Base salary/ base fees (£000)	*Committee chairman's fees (£000)*	*Benefits (£000)*	*Expense allowances (including car allowance) (£000)*	*Annual bonus (£000)*	*SIPP/ DC pension/ salary supplement (£000)*	*Termination benefits (£000)*	*Total emoluments Total 2008 (£000)*	*Total emoluments Total 2007 (£000)*	*Annual rate of basic pay from 1 Jan 2009 (£000)*
Chairman:										
Peter Johnson[1]	150	–	–	10	–	–	–	160	160	150
Alun Cathcart[1]	–	–	–	–	–	–	–	–	34	–
Executive directors:										
Ian Burke[2]	525	–	15	19	353	184	–	1,096	847	525
Peter Gill[3]	156	–	6	8	139	47	368	724	577	–
Paddy Gallagher[4]	175	–	4	7	72	26	–	284	–	300
Non-executive directors:										
Richard Greenhalgh	38	10	–	–	–	–	–	48	48	38
Bill Shannon	38	–	–	–	–	–	–	38	38	38
John Warren	38	9	–	–	–	–	–	47	46	38
Owen O'Donnell[5]	12	–	–	–	–	–	–	12	–	38
Brendan O'Neill[6]	–	–	–	–	–	–	–	–	38	–
Total	1,132	19	25	44	564	257	368	2,409	1,788	1,127

Notes:

1 Alun Cathcart resigned on 28 February 2007 and Peter Johnson became chairman on 1 March 2007, having been deputy chairman since 1 January 2007.

2 The Company makes a contribution of 35% of base salary to Ian Burke's SIPP. A deferred 2007 restructuring bonus of £85,000 was paid during the year and is included in the annual bonus column. He has also received payment of his deferred 2007 annual cash bonus of £102,434 which was disclosed in 2007's audited directors' remuneration summary.

3 Peter Gill left the Company on 1 June 2008. He received an ex-gratia payment of £64,890. In addition, from 2 June 2008 to 1 March 2009, he receives a monthly payment equivalent to one-twelfth of his annual base salary plus fixed benefits. This will continue until 1 June 2009 at the rate of £8,769 per month. A deferred 2007 restructuring bonus of £74,984 was paid during the year and is included in the annual bonus column together with his 2008 pro rata bonus.

4 Paddy Gallagher joined as finance director on 2 June 2008.

5 Owen O'Donnell joined as a non-executive director on 11 September 2008.

6 Brendan O'Neill resigned on 31 December 2007.

7 In addition to the above, the widow of John Garrett, a former executive director, received £34,539 (2007: £27,223) in respect of an unfunded pension obligation.

Remuneration report continued

Table 2: Executive directors' interests in options

	Scheme	*Date of grant*	*Exercise price (p)*	*Number at 01 Jan 08*	*Number granted during 2008*	*Number (lapsed) during 2008*	*Number at 31 Dec 08*	*Performance period ending 31 Dec (maximum)*	*Earliest exercise date*	*Exercise period end date*
Ian Burke	ESOS	10 Mar 2006	237.58	429,328	–	–	429,328	2008	10 Mar 2009	09 Mar 2016
	SAYE	03 Oct 2007	139.00	6,906	–	–	6,906	–	01 Dec 2010	31 May 2011
Peter Gill	ESOS	10 Mar 2006	237.58	101,119	–	–	101,119	2008	10 Mar 2009	09 Mar 2016
	SAYE	03 Oct 2007	139.00	12,086	–	(12,086)	–	–	01 Dec 2012	31 May 2013
Paddy Gallagher	–	–	–	–	–	–	–	–	–	–

The market value of an ordinary share was 67.75p at 31 December 2008. During the year the highest market value of an ordinary share was 100.75p and the lowest was 50.00p. No share options were exercised by directors in 2008.

The board has suspended normal grants under the ESOS and future grants will only be made in special cases of recruitment and retention.

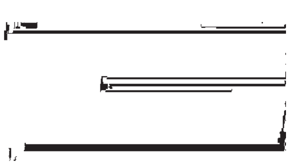
Table 3: Executive directors' interests in the Long-Term Incentive Plan

	Plan	*Date of award*	*Market price at award (p)*	*Market price at release (p)*	*Number at 01 Jan 08*	*Number awarded during 2008*	*Number (vested) during 2008*	*Number (lapsed) during 2008*	*Number at 31 Dec 08*	*Status/ performance period ending 31 December*
Ian Burke	LTIP	10 Mar 2006	236.00	–	216,101	–	–	–	216,101	2008
	LTIP	15 May 2007	195.50	–	134,271	–	–	–	134,271	2009
	LTIP	15 May 2007	195.50	–	134,271	–	–	–	134,271	2010
	LTIP	10 Sep 2008	78.75	–	–	667,047	–	–	667,047	2010
Peter Gill	LTIP	10 Mar 2006	236.00	–	92,542	–	–	–	92,542	2008
	LTIP	15 May 2007	195.50	–	95,887	–	–	–	95,887	2009
	LTIP	15 May 2007	195.50	–	95,887	–	–	–	95,887	2010
Paddy Gallagher	LTIP	10 Sep 2008	78.75	–	–	380,952	–	–	380,952	2010

For the 2007 awards, half of the award is subject to a three-year performance period and half of the award is subject to a four-year performance period. There will be no retesting of either element of the award.

No variation was made to the terms of any LTIP awards during the year.

On behalf of the board



Richard Greenhalgh
Chairman of the remuneration committee
25 February 2009

STATUTORY REPORTS AND FINANCIAL STATEMENTS

Independent auditors' report to the members of The Rank Group Plc

We have audited the Group and parent company financial statements (the 'financial statements') of The Rank Group Plc for the year ended 31 December 2008 which comprise the Group income statement, the Group and Company balance sheets, the Group and Company cash flow statements, the Group statement of recognised income and expense and the related notes. These financial statements have been prepared under the accounting policies set out therein. We have also audited the information in the directors' remuneration report that is described as having been audited.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the Annual Report, the directors' remuneration report and the financial statements in accordance with applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union are set out in the statement of directors' responsibilities.

Our responsibility is to audit the financial statements and the part of the directors' remuneration report to be audited in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland). This report, including the opinion, has been prepared for and only for the Company's members as a body in accordance with Section 235 of the Companies Act 1985 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

We report to you our opinion as to whether the financial statements give a true and fair view and whether the financial statements and the part of the directors' remuneration report to be audited have been properly prepared in accordance with the Companies Act 1985 and, as regards the Group financial statements, Article 4 of the IAS Regulation. We also report to you whether in our opinion the information given in the directors' report is consistent with the financial statements.

In addition we report to you if, in our opinion, the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We review whether the corporate governance statement reflects the Company's compliance with the nine provisions of the Combined Code (2006) specified for our review by the Listing Rules of the Financial Services Authority, and we report if it does not. We are not required to consider whether the board's statements on internal control cover all risks and controls, or form an opinion on the effectiveness of the Group's corporate governance procedures or its risk and control procedures.

We read other information contained in the Annual Report and consider whether it is consistent with the audited financial statements. The other information comprises only the directors' report which includes the unaudited part of the directors' remuneration report, the business review, the corporate governance statement and other information. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements and the part of the directors' remuneration report to be audited. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Group's and Company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements and the part of the directors' remuneration report to be audited are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements and the part of the directors' remuneration report to be audited.

Opinion

In our opinion:

- the Group financial statements give a true and fair view, in accordance with IFRSs as adopted by the European Union, of the state of the Group's affairs as at 31 December 2008 and of its loss and cash flows for the year then ended;
- the parent company financial statements give a true and fair view, in accordance with IFRSs as adopted by the European Union as applied in accordance with the provisions of the Companies Act 1985, of the state of the parent company's affairs as at 31 December 2008 and cash flows for the year then ended;
- the financial statements and the part of the directors' remuneration report to be audited have been properly prepared in accordance with the Companies Act 1985 and, as regards the Group financial statements, Article 4 of the IAS Regulation; and
- the information given in the directors' report is consistent with the financial statements.

PricewaterhouseCoopers LLP
Chartered accountants and registered auditors
London
25 February 2009

Group income statement

for the year ended 31 December 2008

		2008			2007		
	Note	Before exceptional items £m	Exceptional items (note 4) £m	Total £m	Before exceptional items £m	Exceptional items (note 4) £m	Total £m
Continuing operations							
Revenue	2	522.2	–	522.2	534.4	–	534.4
Cost of sales		(271.0)	–	(271.0)	(283.9)	–	(283.9)
Gross profit		251.2	–	251.2	250.5	–	250.5
Other operating costs	3	(190.9)	(69.4)	(260.3)	(182.2)	(45.2)	(227.4)
Group operating (loss) profit	2	60.3	(69.4)	(9.1)	68.3	(45.2)	23.1
Financing:							
– finance costs		(24.5)	–	(24.5)	(27.4)	–	(27.4)
– finance income		4.7	5.1	9.8	5.3	–	5.3
– amortisation of equity component of convertible bond		(3.6)	–	(3.6)	(3.6)	–	(3.6)
– unwinding of discount in disposal provisions		(1.2)	–	(1.2)	(1.3)	–	(1.3)
– net return on defined benefit pension asset		3.6	–	3.6	10.5	–	10.5
– other financial (losses) gains		(1.1)	–	(1.1)	0.5	–	0.5
Total net financing (charge) income	5	(22.1)	5.1	(17.0)	(16.0)	–	(16.0)
(Loss) profit before taxation	3	38.2	(64.3)	(26.1)	52.3	(45.2)	7.1
Taxation	6	(12.7)	18.9	6.2	(20.7)	8.3	(12.4)
(Loss) profit for the year from continuing operations		25.5	(45.4)	(19.9)	31.6	(36.9)	(5.3)
Discontinued operations	7	–	15.0	15.0	1.4	315.4	316.8
(Loss) profit for the year		25.5	(30.4)	(4.9)	33.0	278.5	311.5
(Loss) earnings per share attributable to equity shareholders							
– basic	10	6.5p	(7.8)p	(1.3)p	7.7p	64.7p	72.4p
– diluted	10	6.5p	(7.8)p	(1.3)p	7.7p	64.7p	72.4p
(Loss) earnings per share – continuing operations							
– basic	10	6.5p	(11.6)p	(5.1)p	7.3p	(8.5)p	(1.2)p
– diluted	10	6.5p	(11.6)p	(5.1)p	7.3p	(8.5)p	(1.2)p
Earnings per share – discontinued operations							
– basic	10	–	3.8p	3.8p	0.4p	73.2p	73.6p
– diluted	10	–	3.8p	3.8p	0.4p	73.2p	73.6p

Details of dividends paid and payable to equity shareholders are disclosed in note 9.

The notes on pages 53 to 97 are an integral part of these consolidated financial statements.

Balance sheets

at 31 December 2008

	Note	Group 2008 £m	Group 2007 £m	Company 2008 £m	Company 2007 £m
Assets					
Non-current assets					
Intangible assets	11	**183.2**	179.0	**–**	–
Property, plant and equipment	12	**179.6**	179.2	**–**	–
Investments	14	**–**	0.1	**1,026.3**	1,343.6
Defined benefit pension asset	34	**–**	130.7	**–**	–
Deferred tax assets	15	**43.3**	13.5	**–**	–
Trade and other receivables	17	**1.9**	1.5	**–**	–
		408.0	504.0	**1,026.3**	1,343.6
Current assets					
Financial assets					
– derivative financial instruments	22	**11.2**	0.6	**–**	–
– cash and cash equivalents	30	**111.7**	72.1	**–**	0.3
Inventories	16	**3.8**	3.4	**–**	–
Current tax receivable	19	**3.9**	–	**–**	–
Trade and other receivables	17	**34.3**	29.9	**43.6**	43.6
		164.9	106.0	**43.6**	43.9
Total assets		**572.9**	610.0	**1,069.9**	1,387.5
Liabilities					
Current liabilities					
Financial liabilities					
– financial guarantees	20	**–**	–	**(1.0)**	(1.3)
– loan capital and borrowings	21	**(168.9)**	(60.7)	**(160.7)**	(2.9)
– derivative financial instruments	22	**(14.5)**	(2.5)	**–**	–
Trade and other payables	18	**(114.4)**	(103.8)	**(564.8)**	(525.2)
Current tax liabilities	19	**(6.6)**	(5.4)	**–**	–
Provisions for other liabilities and charges	26	**(13.0)**	(20.4)	**–**	–
		(317.4)	(192.8)	**(726.5)**	(529.4)
Net current liabilities		**(152.5)**	(86.8)	**(682.9)**	(485.5)
Non-current liabilities					
Financial liabilities					
– loan capital and borrowings	21	**(170.9)**	(331.0)	**–**	(163.1)
Deferred tax liabilities	15	**(6.9)**	(7.5)	**–**	–
Other non-current liabilities	25	**(38.8)**	(32.0)	**–**	–
Provisions for other liabilities and charges	26	**(43.3)**	(60.0)	**–**	–
		(259.9)	(430.5)	**–**	(163.1)
Total liabilities		**(577.3)**	(623.3)	**(726.5)**	(692.5)
Net (liabilities) assets		**(4.4)**	(13.3)	**343.4**	695.0
Capital and reserves attributable to the Company's equity shareholders					
Ordinary shares	27	**54.2**	54.2	**54.2**	54.2
Share premium	28	**98.2**	98.2	**98.2**	98.2
Capital redemption reserve	28	**33.4**	33.4	**33.4**	33.4
Exchange translation reserve	28	**18.4**	(0.3)	**–**	–
Fair value reserve	28	**–**	(0.6)	**–**	–
Equity component of convertible bond	28	**0.3**	3.9	**0.3**	3.9
Unrealised profit reserve	28	**–**	–	**–**	159.8
Retained (losses) earnings	28	**(208.9)**	(202.1)	**157.3**	345.5
Total shareholders' (deficit) equity	28	**(4.4)**	(13.3)	**343.4**	695.0

The notes on pages 53 to 97 are an integral part of these consolidated financial statements.

These financial statements were approved by the board on 25 February 2009 and signed on its behalf by:

Ian Burke
Chief executive

Paddy Gallagher
Finance director

Group statement of recognised income and expense

for the year ended 31 December 2008

	Note	2008 £m	2007 £m
(Loss) profit for the year		(4.9)	311.5
Currency translation net of tax and hedging		18.7	(4.4)
Actuarial (loss) gain on defined benefit pension scheme net of tax	34	(5.5)	17.4
Adjustment in respect of deferred tax on pensions from 30% to 28%	6	–	2.4
Revaluation of available-for-sale securities		–	(0.4)
Revaluation of available-for-sale securities recycled within net profit		0.6	(44.4)
Cumulative foreign exchange losses recycled within net profit	4	–	8.6
Total recognised income for the year		8.9	290.7

The notes on pages 53 to 97 are an integral part of these consolidated financial statements.

FINANCIAL STATEMENTS

Cash flow statements

for the year ended 31 December 2008

	Note	Group 2008 £m	Group 2007 £m	Company 2008 £m	Company 2007 £m
Cash flows from operating activities					
Cash generated from (used in) operations	29	**122.5**	86.0	**(0.1)**	0.6
Interest received		**2.6**	5.8	**–**	–
Interest paid		**(28.6)**	(35.6)	**(6.5)**	(6.5)
Tax paid		**(2.9)**	(4.1)	**–**	–
Additional pension payments		**–**	(19.6)	**–**	–
Discontinued operations	7	**–**	(0.3)	**–**	–
Net cash from (used in) operating activities		**93.6**	32.2	**(6.6)**	(5.9)
Cash flows from investing activities					
Proceeds from sale of business (net of cash disposed)	31	**–**	496.2	**–**	–
Acquisition of businesses – deferred consideration	31	**(3.8)**	(0.4)	**–**	–
Net proceeds from transfer of defined benefit pension asset	4	**28.0**	–	**–**	–
Purchase of intangible assets		**(5.4)**	(4.2)	**–**	–
Purchase of property, plant and equipment		**(22.8)**	(43.1)	**–**	–
Proceeds from sale of property, plant and equipment		**5.6**	23.3	**–**	–
Proceeds from sale and leaseback net of lease assignment		**–**	6.1	**–**	–
Discontinued operations	7	**–**	(1.4)	**–**	–
Net cash from investing activities		**1.6**	476.5	**–**	–
Cash flows from financing activities					
Net proceeds from issue of ordinary share capital		**–**	0.1	**–**	0.1
Purchase of own shares		**–**	(2.1)	**–**	(2.1)
Dividends paid to shareholders – ordinary	9	**–**	(23.4)	**–**	(23.4)
Dividends paid to shareholders – special	9	**–**	(352.5)	**–**	(352.5)
Repayment of Sterling borrowings		**(9.1)**	–	**–**	–
Repayment of US Dollar borrowings		**(50.8)**	–	**–**	–
Repayment of syndicated facilities		**(140.0)**	(285.2)	**–**	–
Repayment of other borrowings		**–**	(1.2)	**–**	–
Drawdown on syndicated facilities		**140.0**	150.0	**–**	–
Finance lease principal payments		**(1.2)**	(2.1)	**–**	–
Amounts received from subsidiaries		**–**	–	**6.3**	384.0
Discontinued operations	7	**–**	(0.1)	**–**	–
Net cash (used in) from financing activities		**(61.1)**	(516.5)	**6.3**	6.1
Effects of exchange rate changes		**2.1**	1.0	**–**	–
Net increase (decrease) in cash and cash equivalents		**36.2**	(6.8)	**(0.3)**	0.2
Cash and cash equivalents at 1 January		**68.6**	75.4	**0.3**	0.1
Cash and cash equivalents at 31 December	30	**104.8**	68.6	**–**	0.3

Details of cash flows relating to discontinued operations are provided in note 7.

The notes on pages 53 to 97 are an integral part of these consolidated financial statements.

1 General information and accounting policies

The Rank Group Plc is a company incorporated in the United Kingdom under the Companies Act 1985. The address of the registered office is given on page 40.

Statement of compliance

The Group financial statements have been prepared in accordance with EU endorsed International Accounting and Financial Reporting Standards ('IFRS') and IFRIC interpretations and with those parts of the Companies Act 1985 applicable to companies reporting under IFRS.

The principal accounting policies adopted in the preparation of these financial statements are set out below.

A Basis of preparation of the financial statements

The financial statements are prepared under the historical cost convention as modified by the revaluation of available-for-sale investments, financial assets and liabilities held for trading, and non-current assets held for sale.

In adopting the going concern basis for preparing the financial statements the directors have considered the issues impacting the Group during 2008 as detailed in the directors' report on pages 2 to 30 and have reviewed the Group's projected compliance with its banking covenants detailed in the finance review on page 29. Based on the Group's cash flow forecasts and operating budgets, which take into account management's actions on capital expenditure, cost control and the suspension of the dividend and assuming that trading continues broadly in line with current expectations, the directors believe that the Group will generate sufficient cash to meet its borrowing requirements for at least the next 12 months and comply with its banking covenants.

A summary of the Group's significant accounting policies is set out below. These policies have been consistently applied.

(a) Standards, amendments and interpretations effective in 2008 but not relevant

The following standards, amendments and interpretations to published standards are mandatory for accounting periods beginning on or after 1 January 2008 but they are not material or relevant to the Group's operations:
- IFRIC 11, Group and treasury share transactions; and
- IFRIC 12, Service concession arrangements.

(b) Critical accounting estimates and judgements

The preparation of financial information, in conformity with IFRS, requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial information and the reported amounts of revenues and expenses during the reporting period. It also requires management to exercise its judgement in the process of applying the accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are set out below.

The best estimates of the directors may differ from the actual results.

	Note
Categorisation of items as exceptional	1W, 4
Assets and liabilities carried at fair value	1G
Hedge accounting	1G
Retirement benefits	1M, 34
Assets and liabilities held for sale	1U
Carrying value of assets and potential impairments	1L, 13
Estimated economic lives and residual values	1J, 1K
Recoverability of deferred tax assets	1O, 15
Share based payments	1M, 33
Provisions	1I, 26

B Consolidation

(a) Subsidiaries

Subsidiaries are entities over which the Group has the power to govern the financial and operating policies, generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity. All subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired, liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the income statement.

Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies as applied to subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

(b) Associates and joint ventures (discontinued operations)

Joint ventures are all entities over which the Group exercises joint control. Associates are all entities over which the Group exercises significant influence but not control. Investments in joint ventures and associates are accounted for by the equity method of accounting and are initially recognised at cost, in accordance with the alternative treatment allowed by IAS 31 and IAS 28. The Group's investment in joint ventures includes goodwill identified on acquisition (net of any accumulated impairment loss).

1 General information and accounting policies continued

The Group's share of its associates' and joint ventures' post-acquisition profits or losses after tax is recognised in the income statement and its share of post-acquisition movements in reserves is recognised in reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment.

When the Group's share of losses after tax in an associate or joint venture equals or exceeds its interest or participation, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate or joint venture.

Unrealised gains on transactions between the Group and its associates and joint ventures are eliminated to the extent of the Group's interest or participation. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

Accounting policies as applied to associates and joint ventures have been changed where necessary to ensure consistency with the policies adopted by the Group.

C Revenue recognition

Revenue consists of the fair value of sales of goods and services, net of value added tax, rebates and discounts.

(a) Gaming win

Revenue for casinos includes the gaming win before deduction of gaming duty. Revenue for bingo is net of prizes and value added tax before deduction of gross profits tax. Revenue for Rank Interactive, including sportsbetting and online games, represents gross win. Although disclosed as revenue, gaming win is accounted for and meets the definition of a gain under IAS 39 Financial instruments: Recognition and measurement.

(b) Food and beverage

Revenue from food and beverage sales is recognised at the point of sale.

(c) Finance income

Interest income is recognised on a time proportion basis using the effective interest method.

D Segmental reporting

Management has identified business segments as its primary reporting segments. A business segment is defined as a group of assets and operations engaged in providing products and services that are subject to risks and returns different from those of the other business segments.

Management has identified geographical segments as its secondary reporting segments. A geographical segment is engaged in providing products and services in a particular economic environment that are subject to risks and returns different from those of a segment operating in other economic environments.

Segment assets and liabilities are the result of segment operating activities and are either directly attributable to the segment or can be allocated to the segment on a reasonable basis.

Segment revenue is revenue from operating activities directly attributable to a segment from sales to external customers.

Segment expense is expense resulting from the operating activities that are directly attributable to a segment and the relevant portion of an expense that can be allocated on a reasonable basis to the segment, including expenses relating to sales to external customers.

E Foreign currency translation

(a) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The consolidated financial statements are presented in UK Sterling, which is the Company's functional and presentation currency.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement in finance costs, except when deferred in equity where hedging criteria are met.

(c) Group companies

The results and financial position of all the Group entities (none of which has the currency of a hyper-inflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

(i) assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet. The closing US Dollar rate against Sterling was 1.45 (2007: 1.99) and the closing euro rate against Sterling was 1.04 (2007: 1.36);
(ii) income and expenses for each income statement are translated at average exchange rates unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions. The average US Dollar rate against Sterling in the year was 1.84 (2007: 2.01) and the average euro rate against Sterling was 1.25 (2007: 1.46); and
(iii) all resulting exchange differences are recognised as a separate component of equity.

On consolidation, exchange differences arising from the translation of the net investment in foreign entities, and of borrowings and other currency instruments designated as hedges of such investments, are taken to shareholders' equity. When a foreign operation is sold, such exchange differences are recognised in the income statement net of hedging as part of the gain or loss on sale. Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

F Financial assets

The Group classifies its financial assets in the following categories: loans and receivables and available-for-sale. The

1 General information and accounting policies continued

classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

(a) Loans and receivables
Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the balance sheet date. These are classified as non-current assets. Loans and receivables are classified as trade and other receivables in the balance sheet.

(b) Available-for-sale financial assets
Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless management intends to dispose of the investment within 12 months of the balance sheet date.

Securities are initially recognised at fair value plus transaction costs. Subsequent changes in the fair value are recognised in equity. The Group assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired. In the case of equity securities classified as available-for-sale, a significant prolonged decline in the fair value of the security below its cost is considered as an indicator that the securities are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss – measured as the difference between the acquisition costs and the current fair value, less any impairment loss on that financial asset previously recognised in the income statement – is removed from equity and recognised in the income statement.

When securities classified as available-for-sale are sold or impaired, the accumulated fair value adjustments recognised in equity are included in the income statement.

Impairment testing of trade receivables is described in note 1Q.

G Derivative financial instruments and hedging activities
Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured at their fair value. The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. The Group designates certain derivatives as either:

(a) hedges of the fair value of recognised liabilities (fair value hedge);
(b) hedges of a particular risk associated with a recognised liability or a highly probable forecast transaction (cash flow hedge); or
(c) hedges of a net investment in a foreign operation (net investment hedge).

The Group documents, at the inception of the transaction, the relationship between hedging instruments and hedged items, as well as its risk management objectives and strategy for undertaking various hedging transactions. The Group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of hedged items.

The fair values of various derivative instruments used for hedging purposes are disclosed in note 22.

The full fair value of a hedging derivative is classified as a non-current asset or liability when the maturity of the hedged item is greater than 12 months; it is classified as a current asset or liability when the remaining maturity of the hedged item is less than 12 months. Trading derivatives are classified as a current asset or liability.

(a) Fair value hedges
Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recorded in the income statement, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk. The Group only applies fair value hedge accounting for hedging fixed interest risk on borrowings. The gain or loss relating to both the effective and ineffective portion of interest rate swaps hedging fixed rate borrowings is recognised in the income statement within finance costs. Changes in the fair value of the hedged fixed rate borrowings attributable to interest rate risk are recognised in the income statement within finance costs.

If the hedge no longer meets the criteria for hedge accounting, the adjustment to the carrying amount of a hedge item for which the effective interest method is used is amortised to profit or loss over the period to maturity.

(b) Cash flow hedge
The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges are recognised in equity unless the hedge is of a recognised liability, in which case the gain or loss is recognised within finance costs within the income statement. The gain or loss relating to the ineffective portion is recognised immediately in the income statement within finance costs.

When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in the income statement. When a hedged forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to the income statement within operating costs.

(c) Net investment hedge
Hedges of net investments in foreign operations are accounted for similarly to cash flow hedges of forecast transactions. Any gain or loss on the hedging instrument relating to the effective portion of the hedge is recognised in equity. The gain or loss relating to the ineffective portion is recognised immediately in the income statement within finance costs. Gains and losses accumulated in equity are included in the income statement when the foreign operation is disposed.

1 General information and accounting policies continued

(d) Derivatives at fair value through profit or loss
Certain derivative instruments do not qualify for hedge accounting and are accounted for at fair value through profit or loss. Changes in the fair value of these derivative instruments that do not qualify for hedge accounting are recognised immediately in the income statement within finance costs.

H Leases
Leases are tested to determine whether the lease is a finance or operating lease and treated accordingly. Property leases comprising a lease of land and a lease of buildings within a single contract are split into its two component parts before testing.

(a) Finance leases
Leases of property, plant and equipment where the Group has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the inception of the lease at the lower of the fair value of the leased property, plant and equipment or the present value of minimum lease payments. Each lease payment is allocated between the liability and finance charges so as to achieve a constant periodic rate of interest on the remaining balance of the liability for each period. The corresponding rental obligations, net of finance charges, are included in loan capital and borrowings. The interest element of the finance cost is charged to the income statement over the lease period. The property, plant and equipment acquired under finance leases are depreciated over the shorter of the useful life of the asset or the lease term.

(b) Operating leases
Leases where a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases, net of lease incentives or premiums, are charged to the income statement on a straight line basis over the period of the lease.

I Provisions
Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events if it is more likely than not that an outflow of resources will be required to settle the obligation and the amount can be reliably estimated. Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as a finance cost.

(a) Onerous contracts
The Group is party to a number of leasehold property contracts. Provision has been made against those leases where the property is now vacant and the unavoidable costs under the lease exceed the economic benefit expected to be derived from potential sub-letting arrangements. Provision has also been made against leases where impairment testing has indicated that, after recognising an impairment charge, the estimated discounted cash flows derived from the property and its associated operations are insufficient to cover the unavoidable lease costs and the lease is therefore deemed onerous.

(b) Provision on disposal
Following the disposal of an operation, provision is made for the estimated future costs and potential warranty claims directly attributable to the disposal.

J Property, plant and equipment
All property, plant and equipment is stated at historical cost less depreciation and any impairment. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

Land is not depreciated. Depreciation on other assets is calculated using the straight line method to allocate their cost less residual values over their estimated useful lives, as follows:

- freehold and leasehold property 50 years or their useful life if less;
- refurbishment of property 5 to 20 years;
- fixtures, fittings, plant and equipment and others 3 to 20 years.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount. Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in the income statement.

Pre-opening costs are expensed to the income statement as incurred.

The Group does not capitalise interest.

K Intangible assets
(a) Goodwill
Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary, joint venture or associate at the date of acquisition. Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill on acquisitions of joint ventures is included in investments in joint ventures. Goodwill is tested annually for impairment and carried at amortised cost as at 1 January 2004 plus cost for any acquisition completed after 1 January 2004 less accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold, except where goodwill has been previously written off directly to reserves under previous GAAP.

Goodwill is allocated to the relevant cash-generating unit or group of cash-generating units for the purpose of impairment testing. A cash-generating unit is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets.

Goodwill arising on acquisitions made before 31 December 1997 has been written off directly to reserves.

(b) Computer software and other development costs
Acquired computer software licences are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised on a straight line basis over their estimated useful lives (3 to 10 years).

1 General information and accounting policies continued

Costs associated with maintaining computer software programmes are recognised as an expense as incurred. Costs that are directly associated with the production and development of identifiable and unique software products controlled by the Group, and that will probably generate economic benefits exceeding costs beyond one year, are recognised as intangible assets for both externally purchased and internally developed software. Direct costs include specific employee costs for software development.

Computer software development costs recognised as assets are amortised over their estimated useful lives, estimated at between 3 to 4 years.

(c) Casino and other gaming licences
The Group capitalises acquired casino and other gaming licences. The amount capitalised is the difference between the price paid for a property or business and the associated licence and the fair value of a similar property or business without a licence. Management believes that licences have indefinite lives as there is no foreseeable limit to the period over which the licences are expected to generate net cash inflows and each licence holds a value outside the property in which it resides. Each licence is reviewed annually for impairment.

Any costs in renewing licences annually are expensed as incurred.

(d) Other purchased intangible assets
If acquired, the Group capitalises the costs of other intangible assets such as brands, trademarks and customer relationships. Costs incurred internally to generate these intangible assets are expensed as incurred. For business combinations occurring after 1 January 2004, purchased intangible assets are capitalised on the balance sheet at fair value on acquisition. The valuation of purchased intangible assets and determining the useful economic life involves management making assumptions and estimates, which are highly judgemental and susceptible to change. Purchased intangible assets with finite lives are amortised over their useful economic lives, estimated at 3 years.

L Impairment of intangible assets and property, plant and equipment
Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

An impairment loss is recognised as the amount by which an asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). The expected cash flows generated by the assets are discounted using appropriate discount rates that reflect the risks associated with the groups of assets.

If an impairment loss is recognised, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised as an expense in the income statement immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but only to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years.

A reversal of an impairment loss is recognised as income in the income statement immediately, unless the relevant asset is carried at a revalued amount.

M Employee benefit costs
(a) Pension obligations
The Group operated both defined benefit and defined contribution plans during 2008. The schemes are generally funded through payments to insurance companies or trustee-administered funds, determined by periodic actuarial calculations. The Group transferred the assets and liabilities of the defined benefit plan during 2008. Further details of the transfer are given in note 34.

A defined benefit plan is a pension plan that defines an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation. A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity. The Group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods.

The amount recognised in the balance sheet in respect of the defined benefit pension plan was the fair value of plan assets less the present value of the defined benefit obligation at the balance sheet date, together with adjustments for unrecognised actuarial gains or losses and past service costs. The defined benefit asset was calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation was determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related pension liability.

The Group recognised actuarial gains and losses immediately in the statement of recognised income and expense.

Past-service costs were recognised immediately in operating profit, unless the changes to the pension plan were conditional on the employees remaining in service for a specified period of time (the vesting period). In this case, the past-service costs were amortised on a straight line basis over the vesting period.

The net return or cost arising on the defined benefit pension plan was recognised in net finance costs.

For defined contribution plans, the Group pays contributions to publicly or privately administered pension insurance plans on contractual or voluntary basis. The Group has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expense when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

(b) Share-based compensation
The Group operates various equity-settled, share-based compensation plans. The fair value of the employee services received in exchange for the grant of the options is recognised as an expense. The total amount to be expensed over the vesting period is determined by reference to the fair value of the options granted, excluding the impact of any non-market vesting

1 General information and accounting policies continued

conditions (for example, profitability and sales growth targets). Non-market vesting conditions are included in assumptions about the number of options that are expected to vest. At each balance sheet date, the entity revises its estimates of the number of options that are expected to vest. It recognises the impact of the revision of original estimates, if any, in the income statement, and a corresponding adjustment to equity.

The proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) and share premium when the options are exercised.

(c) Termination benefits
Termination benefits are payable when employment is terminated before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognises termination benefits when it is demonstrably committed to either terminating the employment of current employees according to a detailed formal plan; or providing termination benefits as a result of an offer made to encourage voluntary redundancy. Benefits falling due more than 12 months after the balance sheet date are discounted to present value.

(d) Bonus plans
The Group recognises a liability and an expense for bonuses based on a formula that takes into consideration the profit attributable to the Company's shareholders after certain adjustments. The Group recognises a provision where contractually obliged or where a past practice has created a constructive obligation.

(e) Holiday pay
The Group recognises an appropriate liability for the cost of holiday entitlements not taken at the balance sheet date.

N Inventories
Inventories are valued at the lower of cost and net realisable value. Cost of inventory is determined on a 'first-in first-out' basis.

The cost of finished goods comprises goods purchased for resale.

Net realisable value is the estimated selling price in the ordinary course of business, less the cost of completion and selling expenses. When necessary, provision is made for obsolete and slow-moving inventories.

O Taxation including deferred tax
Current tax is applied to taxable profits at the rates ruling in the relevant country.

Deferred tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, if deferred tax arises from the initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss, it is not accounted for. Deferred tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled.

Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current taxation assets against current taxation liabilities and it is the intention to settle these on a net basis.

Deferred tax is provided on temporary differences arising on investments in subsidiaries and associates, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

P Cash and cash equivalents
Cash and cash equivalents include cash in hand, deposits held at call with banks, other short term highly liquid investments with original maturities of three months or less and bank overdrafts. Bank overdrafts are shown within loan capital and borrowings in current liabilities on the balance sheet.

Q Trade receivables
Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment of trade receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 30 days overdue) are considered indicators that the trade receivable is impaired. The amount of the provision is the difference between the assets carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognised in the income statement within operating costs. When a trade receivable is uncollectible, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited against operating costs in the income statement.

R Trade payables
Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

S Borrowings
Borrowings are recognised at cost, which is deemed to be materially the same as the fair value, net of transaction costs incurred. Any difference between proceeds and redemption value is recognised in the income statement using the effective interest method.

Borrowings are classified as current liabilities unless the Group has unconditional right to defer settlement of the liability for at least 12 months at the balance sheet date.

The fair value of the liability portion of the convertible bond was determined on the date of issue. This amount is recorded as a liability and is held on an amortised cost basis until such time as it is extinguished on conversion or the maturity of the bonds. The remaining proceeds have been allocated to the conversion option and are recognised in shareholders' funds. This results in a higher interest cost over the life of the bond as an equal and opposite amount to the equity component is amortised through the income statement as a financing cost.

1 General information and accounting policies continued

T Share capital

Ordinary shares are classified as equity.

Where any Group company purchases the Company's equity share capital (treasury shares), the consideration paid, including any directly attributable incremental costs (net of income taxes) is deducted from equity attributable to the Company's equity holders until the shares are cancelled or reissued. Where such shares are subsequently sold or reissued, any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, is included in equity attributable to the Company's equity holders.

U Discontinued operations and non-current assets held for sale

Operations of the Group are recognised as discontinued operations if the operations have been disposed of or meet the criteria to be classified as held for sale. Operations held for sale are held at the lower of their carrying amount on the dates they are classified as held for sale and fair value less costs to sell.

Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset (or disposal group) is available for immediate sale in its present condition. Management must be committed to the sale which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

V Dividends

Dividends proposed by the board of directors and unpaid at the period end are not recognised in the financial statements until they have been approved by shareholders at the Annual General Meeting. Interim dividends are recognised when paid.

W Exceptional items

The Group defines exceptional items as those items which, by their size or nature, are separately disclosed in order to give a full understanding of the Group's financial performance and aid comparability of the Group's result between periods. This would include, to the extent they are material, gains or losses on the disposal of assets, impairments of the carrying value of assets and associated onerous lease provisions, costs of club closures, onerous lease provisions on vacant properties, disposal of businesses and VAT refunds (net of gross profits tax and associated costs) relating to previous periods.

X New standards and interpretations not applied

The IASB and IFRIC have issued the following standards amendments and interpretations with an effective date after the date of these financial statements:

	*Effective date**
IFRS 3, Business combinations (Revised)	1 July 2009
IFRS 2, Share based payments (Amendment)	1 January 2009
IFRS 8, Operating segments	1 January 2009
IAS 23, Borrowing Costs (Revised)	1 January 2009
IFRIC 13, Customer loyalty programmes	1 July 2008
IFRIC 16, Hedges of a net investment in a foreign operation	1 October 2008
Annual improvements to IFRSs	1 January 2009

* For annual periods beginning on or after.

In addition, the IASB and IFRIC have issued the following standards, interpretations or amendments that are not applicable to The Rank Group Plc:

Amendment to IFRS 1, First time adoption of IFRS
Amendment to IAS 1, Presentation of financial statements
Amendment to IAS 27, Consolidated and separate financial statements
Amendment to IAS 32, Financial instruments
Amendments to IAS 39, Financial instruments
IAS 1, Presentation of financial statements (Revised)
IAS 27, Consolidated and separate financial statements (Revised)
IFRIC 14, The limit on a defined benefit asset, minimum funding requirements and their interaction
IFRIC 15, Agreements for construction of real estate
IFRIC 17, Distributions of non-cash assets to owners
IFRIC 18, Transfers of assets from customers

The directors do not anticipate that the adoption of the above standards, interpretations and amendments will have a material impact on the Group's financial statements in the period of initial application.

2 Segmental reporting

Primary reporting format – business segments

	Mecca Bingo 2008 £m	Mecca Bingo 2007 £m	Top Rank España 2008 £m	Top Rank España 2007 £m
Continuing operations				
Segment revenue	227.6	240.5	35.8	32.3
Operating profit (loss) before exceptional items	41.8	43.6	6.9	9.3
Exceptional operating (loss) profit	40.6	(27.6)	(8.4)	–
Segment result	82.4	16.0	(1.5)	9.3
Finance costs				
Finance income				
Amortisation of equity component of convertible bond				
Unwinding of discount in disposal provisions				
Net return on defined benefit pension asset				
Other financial (losses) gains				
(Loss) profit before taxation				
Taxation				
Loss for the year from continuing operations				
Assets and liabilities				
Intangible assets:				
Intangible assets with indefinite useful lives	–	–	22.9	23.7
Intangible assets with finite useful lives	1.3	0.5	–	–
Property, plant and equipment	80.0	83.2	33.6	26.4
Financial assets – investments	–	–	–	–
Other segment assets	20.1	14.8	3.3	2.0
Total segment assets	101.4	98.5	59.8	52.1
Unallocated assets				
Total assets				
Total segment liabilities	(65.7)	(50.9)	(6.5)	(5.4)
Unallocated liabilities				
Total liabilities				
Net liabilities				
Other segment items – continuing operations				
Capital expenditure	(10.8)	(19.8)	(2.2)	(4.5)
Depreciation and amortisation	10.2	12.4	2.7	2.0
Impairment losses	1.9	25.7	8.4	–
Onerous lease provision – impact of change in discount rate	2.8	–	–	–
Onerous lease provision – charge	4.9	19.1	–	–
Onerous lease provision – release	(3.5)	–	–	–
Share based payment (credit) charge	–	(0.2)	–	–

At 31 December 2008, the Group's continuing operations are organised into six main business segments; Mecca Bingo, Top Rank España, Grosvenor Casinos, Rank Interactive, Shared services and Other (includes central costs and expenses relating to non-trading properties). The activities of the segments are described on page 2 of the directors' report. Segmental information for discontinued operations is disclosed in note 7.

Segment assets include property, plant and equipment, intangible assets, investments, inventories and trade and other receivables. Segment liabilities comprise current and non-current trade and other payables and provisions. Unallocated assets and liabilities comprise taxation, corporate borrowings, derivative financial instruments, cash and cash equivalents and retirement benefits. Intangible assets with indefinite useful lives include £53.8m of goodwill relating to Rank Interactive.

There are immaterial sales between the business segments.

Capital expenditure comprises additions to property, plant and equipment and other intangible assets.

	Grosvenor Casinos		Rank Interactive		Shared services		Other		Total	
	2008 £m	2007 £m	**2008 £m**	2007 £m	**2008 £m**	2007 £m	**2008 £m**	2007 £m	**2008 £m**	2007 £m
	206.2	209.5	**52.6**	52.1	**–**	–	**–**	–	**522.2**	534.4
	29.5	29.9	**11.4**	10.9	**(20.8)**	(18.5)	**(8.5)**	(6.9)	**60.3**	68.3
	(2.4)	(10.7)	**(2.3)**	–	**1.8**	–	**(98.7)**	(6.9)	**(69.4)**	(45.2)
	27.1	19.2	**9.1**	10.9	**(19.0)**	(18.5)	**(107.2)**	(13.8)	**(9.1)**	23.1
									(24.5)	(27.4)
									9.8	5.3
									(3.6)	(3.6)
									(1.2)	(1.3)
									3.6	10.5
									(1.1)	0.5
									(26.1)	7.1
									6.2	(12.4)
									(19.9)	(5.3)
	97.1	92.2	**53.8**	53.8	**–**	–	**–**	–	**173.8**	169.7
	0.6	0.3	**6.4**	7.2	**1.1**	1.3	**–**	–	**9.4**	9.3
	63.0	66.4	**1.9**	1.6	**1.1**	1.6	**–**	–	**179.6**	179.2
	–	–	**–**	–	**–**	–	**–**	0.1	**–**	0.1
	10.0	8.0	**2.7**	2.0	**1.2**	0.9	**2.7**	7.1	**40.0**	34.8
	170.7	166.9	**64.8**	64.6	**3.4**	3.8	**2.7**	7.2	**402.8**	393.1
									170.1	216.9
									572.9	610.0
	(37.8)	(35.5)	**(14.0)**	(13.6)	**(4.9)**	(4.2)	**(41.8)**	(75.1)	**(170.7)**	(184.7)
									(406.6)	(438.6)
									(577.3)	(623.3)
									(4.4)	(13.3)
	(9.9)	(17.1)	**(4.7)**	(4.5)	**(0.6)**	(1.4)	**–**	–	**(28.2)**	(47.3)
	8.7	9.5	**3.8**	3.2	**0.9**	1.4	**–**	–	**26.3**	28.5
	2.8	8.2	**1.4**	–	**–**	–	**–**	–	**14.5**	33.9
	0.2	–	**–**	–	**1.3**	–	**–**	–	**4.3**	–
	0.7	1.7	**–**	–	**2.3**	–	**–**	6.9	**7.9**	27.7
	(1.2)	–	**–**	–	**(5.3)**	–	**(0.5)**	–	**(10.5)**	–
	0.1	(0.3)	**(0.1)**	–	**–**	(0.5)	**–**	(0.6)	**–**	(1.6)

2 Segmental reporting continued

Total revenue and (loss) profit from continuing and discontinued operations

	Revenue 2008 £m	Revenue 2007 £m	(Loss) profit for the year 2008 £m	(Loss) profit for the year 2007 £m
From continuing operations	522.2	534.4	(19.9)	(5.3)
From discontinued operations (see note 7)	–	35.6	15.0	316.8
	522.2	570.0	(4.9)	311.5

Secondary reporting format – geographical segments

The Group's business segments operate in two main geographical areas (UK and Europe). The home country of the Company is the UK. The areas of operations are principally the operation of bingo clubs, casinos and online gaming and bookmaking services.

Year ended 31 December 2008	UK £m	Europe £m	North America £m	Rest of the World £m	Total £m
Total revenue	470.5	51.7	–	–	522.2
Less sales attributable to discontinued operations (see note 7)	–	–	–	–	–
Segment revenue from continuing operations	470.5	51.7	–	–	522.2
Segment assets	317.6	85.2	–	–	402.8
Unallocated assets					170.1
Total assets					572.9
Capital expenditure relating to continuing operations	(25.9)	(2.3)	–	–	(28.2)

Year ended 31 December 2007	UK £m	Europe £m	North America £m	Rest of the World £m	Total £m
Total revenue	492.6	51.4	24.4	1.6	570.0
Less sales attributable to discontinued operations (see note 7)	(3.6)	(6.0)	(24.4)	(1.6)	(35.6)
Segment revenue from continuing operations	489.0	45.4	–	–	534.4
Segment assets	317.8	72.2	3.1	–	393.1
Unallocated assets					216.9
Total assets					610.0
Capital expenditure relating to continuing operations	(42.0)	(5.3)	–	–	(47.3)

With the exception of the UK and Spain no individual country contributed more than 10% of consolidated sales or assets.

Segmental revenue by destination is not materially different from revenue by origin.

3 Profit for the year – analysis by nature

The following items have been charged (credited) in arriving at the (loss) profit for the year before financing and taxation from continuing operations:

	Note	2008 £m	2007 £m
Employee benefits expense	32	157.4	156.5
Cost of inventories recognised as expense		19.0	21.4
Depreciation of property, plant and equipment	12		
– owned assets (including £19.3m (2007: £21.6m) within cost of sales)		21.6	23.8
– under finance leases (included within cost of sales)		0.8	1.1
Amortisation of intangibles (including £0.4m (2007: £0.5m) within cost of sales)	11	3.9	3.6
Operating lease rentals payable			
– minimum lease payments		37.1	40.8
– sub-lease income		(6.0)	(6.6)
Profit on sale of property, plant and equipment		(0.3)	(0.1)
Exceptional items	4	69.4	45.2
Auditors' remuneration for audit services		0.6	0.7

3 Profit for the year – analysis by nature continued

In the year the Group's auditors, PricewaterhouseCoopers LLP, including its network firms, earned the following fees:

	2008 £m	2007 £m
Audit services		
– Fees payable to the Company's auditor for the parent company and consolidated financial statements	**0.3**	0.3
Other services		
Fees payable to the Company's auditor and its associates for other services:		
– the audit of the Company's subsidiaries pursuant to legislation	**0.3**	0.4
– services relating to corporate finance transactions	**0.2**	0.1
– tax services	**0.4**	0.2
– other services	**0.1**	0.1
	1.3	1.1

£43,000 (2007: £69,000) of the audit fees related to the parent company.

It is the Group's policy to employ PricewaterhouseCoopers LLP on assignments additional to their statutory audit duties where their expertise and experience with the Group are important, principally in the areas of transaction services, stock exchange transactions and tax advice. The Group's policy is, where appropriate, that work is put out to competitive tender. The audit committee monitors the relationship with PricewaterhouseCoopers LLP, including the level of non-audit fees.

4 Exceptional items

	Note	2008 £m	2007 £m
Exceptional items relating to continuing operations			
Loss on transfer of defined benefit pension asset		**(99.2)**	–
VAT refund net of gross profits tax and associated costs		**42.8**	–
Impairment charge		**(14.5)**	(33.9)
Net provision for onerous leases		**(1.7)**	(27.7)
Net profit on sale of property less associated closure costs		**4.1**	16.4
Other		**(0.9)**	–
Exceptional items before financing and taxation relating to continuing operations		**(69.4)**	(45.2)
Finance income		**5.1**	–
Taxation	6	**18.9**	8.3
Exceptional items relating to continuing operations		**(45.4)**	(36.9)
Exceptional items relating to discontinued operations			
Hard Rock disposal		**–**	352.7
Release from disposal provisions		**15.0**	–
Finance costs		**–**	(9.9)
Taxation	6	**–**	(27.4)
Exceptional items relating to discontinued operations		**15.0**	315.4
Total exceptional items		**(30.4)**	278.5

The Group's definition of exceptional items is disclosed in note 1W.

4 Exceptional items continued

2008 exceptional items

Continuing operations

On 27 June 2008, the Group completed the transfer of the assets and liabilities of the Rank Pension Plan ('the Plan'), a defined benefit scheme, to Rothesay Life (an FSA regulated insurance company and wholly owned subsidiary of Goldman Sachs).

The transfer secured the accrued benefits for the members of the Plan and removed all financial risks and liabilities in relation to the Plan from the Group. As a result of the transfer, the Group will no longer make the remaining scheduled contributions of £30.8m, which were part of an ongoing funding agreement made at the time of the sale of Deluxe Film in 2006.

Further details of the exceptional loss arising on the transfer are disclosed in the table below:

	£m
Proceeds	29.0
Costs associated with transfer	(1.0)
Net proceeds from transfer of defined benefit pension asset	28.0
Curtailment gain on closure of scheme to future contributions	10.5
Carrying value of defined benefit pension asset at transfer	(137.7)
Exceptional loss before taxation	(99.2)
Taxation	27.8
Total exceptional loss arising on transfer	**(71.4)**

On 10 November 2008, the Group received £59.1m in overpaid VAT from HMRC, following the VAT & Duties Tribunal's ruling in May 2008 that the application of VAT to some games of interval bingo contravened the European Union's principle of fiscal neutrality. The exceptional gain of £42.8m represents the element of the VAT repayment relating to the period 2003 to 2007 net of associated gross profits tax and costs. HMRC has appealed the ruling of the Tribunal. This appeal is scheduled to be heard in March 2009. If HMRC were successful on appeal they would be entitled to recover £59.1m from Rank plus interest. A contingent liability has been disclosed in note 38. Exceptional finance income of £5.1m relating to the period up until the end of 2007 has also been recognised in relation to the refund. Based on legal advice received by the Group the directors are satisfied the recognition of this gain is appropriate.

Further details of the exceptional gain on the VAT refund are disclosed in the table below:

	£m
Cash repayment received	59.1
Increase in gross profits tax payable	(7.8)
Costs, including contingent fees	(4.6)
Irrecoverable input VAT	(1.0)
Less element attributable to current year	(2.9)
Exceptional gain before financing and taxation	42.8
Finance income	5.1
Taxation	(13.7)
Total exceptional gain on VAT refund	**34.2**

At 31 December 2008, the Group has recognised additional impairments of £14.5m on intangible assets and property, plant and equipment. Further details are provided in note 13.

The net provision for onerous leases includes an additional onerous lease charge of £7.9m and a £4.3m charge arising from the reduction in discount rate, net of a £10.5m onerous lease reversal. Further details are provided in note 26.

During the period the Group closed one Mecca Bingo club at Swindon and one Grosvenor Casino in Leeds. The resulting profit on disposal of the Swindon property, together with the profit on two previously closed properties, net of associated closure and disposal costs was £4.1m.

Other comprises abortive software development costs incurred by Rank Interactive.

4 Exceptional items continued

2008 exceptional items continued

Discontinued operations

The £15.0m gain from release of disposal provisions consists of two items:

On 31 December 2008 the Group settled its lease obligation in relation to its remaining plant in the US, retained following the sale and closure of its Deluxe operations. The settlement represented a significant discount to the carrying value of the provision and accordingly a release of £10.0m from the disposal provision has been made.

In addition, a provision of £5.0m for warranties given at the time of the sale of Hard Rock has been released as no subsequent claims were received and the warranty period has now expired.

2007 exceptional items

Continuing operations

Following the introduction of the smoking ban in England and Wales, the loss of Section 21 machine income and the unexpected rise in casino duty, an impairment charge of £33.9m and associated onerous lease provisions of £20.8m were recognised during 2007. Further details of the impairments are included in note 13.

During 2007 the Group closed 11 Mecca Bingo clubs and one Grosvenor casino. The resulting profit on sale of certain properties, net of associated closure and disposal costs, was £16.4m.

The Group has a limited number of onerous leases at sites no longer used by the operating businesses. The provision on these sites was increased by £6.9m as a result of lower sub-let income and increased running costs.

Discontinued operations

The Group completed the sale of Hard Rock on 5 March 2007 which resulted in an exceptional profit of £352.7m before related financing and taxation costs of £37.3m. The exceptional financing charge related to the costs associated with a currency option taken to hedge the receipt of the US Dollar proceeds and the write off of prepaid facility fees. Due to favourable movements in the exchange rates the currency option hedge was not utilised. The profit included cumulative foreign exchange losses of £8.6m and fair value gains of £44.4m in relation to available-for-sale securities. These gains and losses had previously been recognised in equity. Further details of the exceptional profit on disposal are contained in note 31.

5 Financing

	2008 £m	2007 £m
Continuing operations:		
Finance costs:		
Interest payable on bank borrowings (current and non-current)	**(1.7)**	(2.6)
Amortisation of issue costs on borrowings	**(1.6)**	(1.6)
Interest payable on other loans	**(18.6)**	(21.8)
Interest payable on finance leases	**(1.0)**	(1.1)
Unwinding of discount in provisions	**(1.6)**	(0.3)
Total interest expense and similar charges	**(24.5)**	(27.4)
Finance income	**4.7**	5.3
	(19.8)	(22.1)
Amortisation of equity component of convertible bond	**(3.6)**	(3.6)
Unwinding of discount in disposal provisions	**(1.2)**	(1.3)
Net return on defined benefit pension asset	**3.6**	10.5
Other financial (losses) gains	**(1.1)**	0.5
Total net financing cost for continuing operations before exceptional items	**(22.1)**	(16.0)
Exceptional finance income	**5.1**	–
Total net financing cost for continuing operations	**(17.0)**	(16.0)

Further details of the exceptional finance income are disclosed in note 4.

6 Taxation

	Note	2008 £m	2007 £m
Current income tax on continuing operations			
Current tax – UK		**(4.0)**	(22.7)
Current tax – overseas		**(2.4)**	(5.2)
Current tax charge		**(6.4)**	(27.9)
Current tax on exceptional items		**(20.1)**	8.3
Amounts over (under) provided in previous year		**2.4**	(6.0)
Total current tax		**(24.1)**	(25.6)
Deferred tax on continuing operations			
Deferred tax – UK		**(6.0)**	10.5
Deferred tax – overseas		**–**	0.4
Deferred tax on exceptional items		**39.0**	–
Restatement of deferred tax from 30% to 28%		**–**	(3.4)
Amounts (under) over provided in previous year		**(2.7)**	5.7
Total deferred tax	15	**30.3**	13.2
Tax credit (charge) in the income statement on continuing operations		**6.2**	(12.4)

In 2008 current tax on exceptional items included a tax charge of £13.7m on the VAT refund received by the Group, a £7.8m tax charge on the transfer of the Group's pension scheme, a £0.3m tax credit relating to onerous leases and a £1.1m tax credit on the liquidation of an overseas subsidiary.

In 2008 deferred tax on exceptional items included a tax credit of £35.6m on the transfer of the Group's pension scheme and a £3.4m tax credit on the impairment of Group assets.

In 2007 current tax on exceptional items within continuing operations included a tax credit of £8.3m relating to the £27.7m onerous lease charge.

	2008 £m	2007 £m
Current income tax on discontinued operations		
Current tax – UK	**–**	(0.6)
Current tax charge	**–**	(0.6)
Current tax on exceptional items	**–**	4.9
Amounts over provided in previous year	**–**	0.3
Total current tax	**–**	4.6
Deferred tax on discontinued operations		
Deferred tax on exceptional items	**–**	(32.3)
Total deferred tax	**–**	(32.3)
Tax charge in the income statement on discontinued operations	**–**	(27.7)

The tax on the Group's profit before tax on continuing operations differs from the standard rate of UK corporation tax of 28.5% (2007: 30.0%). The differences are explained below:

	2008 £m	2007 £m
(Loss) profit before tax on continuing operations	**(26.1)**	7.1
(Loss) profit before tax at 28.5% (2007: 30.0%)	**7.4**	(2.1)
Effects of:		
Expenses not subject to tax	**(0.3)**	(11.0)
Difference in overseas tax rates	**(1.6)**	(1.1)
Difference in deferred tax rates	**(0.6)**	–
Restatement of deferred tax from 30.0% to 28.0%	**–**	(3.4)
Adjustments relating to prior years	**(0.3)**	(0.3)
Utilisation of previously unrecognised tax losses	**1.1**	4.9
Deferred tax movement on fair valued assets	**0.5**	0.6
Tax credit (charge) in the income statement on continuing operations	**6.2**	(12.4)

6 Taxation continued

Tax on items included in equity

	2008 £m	2007 £m
Current tax credit on exchange movements offset in reserves	17.3	4.6
Restatement of deferred tax on pensions from 30.0% to 28.0%	–	2.4
Deferred tax credit (charge) on actuarial movement on defined benefit pension scheme	2.2	(7.4)
Total tax in equity	**19.5**	(0.4)

The reduction in the headline UK corporation tax rate from 30.0% to 28.0% resulted in a one off increase in the 2007 year tax charge of £3.4m as the Group's UK deferred tax asset was restated based on the reduced rate. An offsetting £2.4m credit was recognised directly in equity in accordance with IAS 12.

7 Discontinued operations

All discontinued activities in 2007 related to Hard Rock. The Group completed the sale of Hard Rock on 5 March 2007 which resulted in an exceptional profit of £352.7m before related financing and taxation costs of £37.3m. The results, revenue and costs were recorded in a single line on a post-tax basis in the income statement. Further analysis of the result is disclosed below.

On 31 December 2008 the Group settled its lease obligation in relation to its remaining plant in the US, retained following the sale and closure of its Deluxe operations. The settlement represented a significant discount to the carrying value of the provision and accordingly a release of £10.0m from the disposal provision has been made.

In addition, a provision of £5.0m for warranties given at the time of the sale of Hard Rock has been released as no subsequent claims were received and the warranty period has now expired.

	2008 £m	2007 £m
Revenue	–	35.6
Operating profit before exceptional items	–	2.1
Exceptional items (see note 4)	15.0	352.7
Operating profit	15.0	354.8
Share of post-taxation loss from joint ventures and associates	–	(0.3)
Net financing charge (including exceptional items)	–	(10.0)
Profit before taxation	15.0	344.5
Taxation (including exceptional items)	–	(27.7)
Net profit	**15.0**	316.8

Cash flows relating to the discontinued operations are as follows (2007 only):

	2007 £m
Cash flows from operating activities	(0.3)
Cash flows from investing activities	(1.4)
Cash flows from financing activities	(0.1)
	(1.8)

Other segment information (2007 only):

	2007 £m
Depreciation and amortisation	–
Capital expenditure	(1.4)

8 Results attributable to the parent company

The loss for the financial year in the financial statements of The Rank Group Plc was £351.6m (2007: loss of £18.8m). As permitted by s230 Companies Act 1985, no income statement is presented in respect of The Rank Group Plc. The loss includes an impairment of £317.3m (2007: £nil) in respect of its investment in subsidiary undertakings. Further details are provided in note 14.

9 Dividends

	2008 £m	2007 £m
Equity – ordinary		
Final for 2006 paid on 11 May 2007 – 4.0p per share	–	15.6
Interim for 2007 paid on 12 October 2007 – 2.0p per share	–	7.8
	–	23.4
Special for 2007 paid on 9 April 2007 – 65.0p per share	–	352.5
	–	375.9

Following the sale of Hard Rock, a special dividend of 65.0 pence per share was paid on 9 April 2007.

The directors have not proposed a final dividend in respect of the year ended 31 December 2008 (2007: Nil).

10 Earnings (loss) per share

(a) Basic earnings per share

Basic earnings per share is calculated by dividing the profit or loss attributable to equity shareholders by the weighted average number of ordinary shares in issue during the year, excluding ordinary shares purchased by the Company and held as treasury shares (note 27).

	2008			2007		
	Before exceptional items	Exceptional items	Total	Before exceptional items	Exceptional items	Total
(Loss) profit attributable to equity shareholders (£m)						
Continuing operations	£25.5m	£(45.4)m	£(19.9)m	£31.6m	£(36.9)m	£(5.3)m
Discontinued operations	–	£15.0m	£15.0m	£1.4m	£315.4m	£316.8m
Total	£25.5m	£(30.4)m	£(4.9)m	£33.0m	£278.5m	£311.5m
Weighted average number of ordinary shares in issue (m)	389.5m	389.5m	389.5m	430.4m	430.4m	430.4m
Basic (loss) earnings per share (p)						
Continuing operations	6.5p	(11.6)p	(5.1)p	7.3p	(8.5)p	(1.2)p
Discontinued operations	–	3.8p	3.8p	0.4p	73.2p	73.6p
Total	6.5p	(7.8)p	(1.3)p	7.7p	64.7p	72.4p

(b) Diluted (loss) earnings per share

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares in issue to assume conversion of all dilutive potential ordinary shares. The Group has two categories of dilutive potential ordinary shares: share options and convertible debt. For share options, a calculation is made to determine the number of shares that could have been acquired at fair value (determined as the average annual market share price of the Company's shares) based on the monetary value of the subscription rights attached to outstanding share options. The number of shares calculated is compared with the number of shares that would have been issued assuming exercise of the share options.

There is no difference in the profit (loss) or the weighted average number of shares used to determine diluted earnings per share from that used to determine basic earnings per share. Accordingly there is no difference between diluted earnings per share and basic earnings per share disclosed above.

(c) Adjusted earnings per share

Adjusted earnings is calculated by adjusting profit attributable to equity shareholders to exclude discontinued operations, exceptional items, other financial gains or losses, the net return on the defined benefit pension asset, unwinding of the discount in disposal provisions, amortisation of the equity component of the convertible bond and the related tax effects. Adjusted earnings is one of the business performance measures used internally by management to manage the operations of the business. Management believes that adjusted earnings assists in providing a view of the underlying performance of the business.

10 Earnings (loss) per share continued

(c) Adjusted earnings per share continued

Adjusted net earnings attributable to equity shareholders is derived as follows:

	2008 £m	2007 £m
(Loss) profit attributable to equity shareholders	(4.9)	311.5
Discontinued operations (net of taxation and minority interest)	(15.0)	(316.8)
Exceptional items after tax on continuing operations	45.4	36.9
Other financial losses (gains)	1.1	(0.5)
Net return on defined benefit pension asset	(3.6)	(10.5)
Amortisation of equity component of convertible bond	3.6	3.6
Unwinding of discount in disposal provisions	1.2	1.3
Taxation on adjusted items and impact of reduction in tax rate to 28% in 2007	0.6	6.5
Adjusted net earnings attributable to equity shareholders	28.4	32.0
Weighted average number of ordinary shares in issue (m)	389.5m	430.4m
Adjusted earnings per share (p)	7.3p	7.4p

11 Intangible assets

Group	Interactive goodwill £m	Casino and other gaming licences £m	Other £m	Total £m
Cost				
At 1 January 2007	53.8	110.7	23.2	187.7
Exchange adjustments	–	2.9	–	2.9
Additions at cost	–	2.3	4.2	6.5
At 31 December 2007	53.8	115.9	27.4	197.1
Exchange adjustments	–	12.0	–	12.0
Additions at cost	–	–	5.4	5.4
At 31 December 2008	53.8	127.9	32.8	214.5
Aggregate amortisation and impairment				
At 1 January 2007	–	–	14.5	14.5
Charge for the period	–	–	3.6	3.6
At 31 December 2007	–	–	18.1	18.1
Charge for the period	–	–	3.9	3.9
Impairment losses	–	7.9	1.4	9.3
At 31 December 2008	–	7.9	23.4	31.3
Net book value at 31 December 2007	53.8	115.9	9.3	179.0
Net book value at 31 December 2008	53.8	120.0	9.4	183.2

Other intangible assets comprise other licences, computer software and development technology and customer lists. These include internally generated computer software and development technology with a net book value of £1.3m (2007: £1.3m).

Indefinite life intangible assets have been reviewed for impairment as set out in note 13.

12 Property, plant and equipment

Group	Land and buildings £m	Fixtures, fittings, plant & machinery £m	Total £m
Cost			
At 1 January 2007	144.6	267.8	412.4
Exchange adjustments	0.8	3.2	4.0
Additions at cost	5.5	37.9	43.4
Disposals	(12.4)	(11.6)	(24.0)
At 31 December 2007	138.5	297.3	435.8
Exchange adjustments	3.2	12.5	15.7
Additions at cost	2.4	18.1	20.5
Disposals	(1.4)	(5.8)	(7.2)
At 31 December 2008	**142.7**	**322.1**	**464.8**
Accumulated depreciation			
At 1 January 2007	47.7	160.9	208.6
Exchange adjustments	0.1	1.5	1.6
Reclassification	0.2	(0.2)	–
Charge for the year	3.8	21.1	24.9
Impairment losses (see note 13)	15.1	18.8	33.9
Disposals	(2.6)	(9.8)	(12.4)
At 31 December 2007	64.3	192.3	256.6
Exchange adjustments	0.3	6.5	6.8
Charge for the year	3.2	19.2	22.4
Impairment losses (see note 13)	1.8	3.4	5.2
Disposals	(1.1)	(4.7)	(5.8)
At 31 December 2008	**68.5**	**216.7**	**285.2**
Net book value at 31 December 2007	74.2	105.0	179.2
Net book value at 31 December 2008	**74.2**	**105.4**	**179.6**

Assets held under finance leases, capitalised and included in land and buildings and fixtures, fittings, plant and machinery:

	2008 £m	2007 £m
Cost	**19.8**	20.5
Accumulated depreciation	**(11.2)**	(10.9)
Net book value	**8.6**	9.6

The book amounts for fixtures, fittings, plant and machinery include assets held under finance leases with a net book value of £0.1m (2007: £0.2m). The book amounts for land and buildings include buildings held under finance leases with a net book value of £8.5m (2007: £9.4m).

The net book value of land and buildings comprises:

	2008 £m	2007 £m
Freeholds	**26.8**	24.6
Long leases (over 50 years unexpired)	**3.5**	3.4
Short leases	**43.9**	46.2
Net book value	**74.2**	74.2

13 Impairment review

The discount rate used for all impairment reviews reflects management's estimate of the Group's pre-tax weighted average cost of capital. Management believes that the Group's weighted average cost of capital is an appropriate measure as there is no funding directly attributable to each cash-generating unit. The pre-tax discount rate applied to all cash flow projections is 14.1% (2007: 9.4%).

(a) Impairment review of intangible assets with indefinite lives

As stated in the accounting policies note (sections K and L) assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. The Group classifies goodwill, casino licences and Spanish bingo licences as indefinite life assets.

(i) Goodwill

The Group has goodwill with a carrying value of £53.8m in respect of the acquisition of Rank Interactive (2007: £53.8m). As at 31 December 2008 management does not believe that the carrying value of the goodwill was impaired as the value in use significantly exceeded the carrying value of goodwill.

The whole of Rank Interactive is treated as a single cash-generating unit (CGU) and is tested for impairment on that basis. The recoverable amount of the goodwill has been determined based on a value in use calculation using cash flow projections based on financial budgets approved by the board for the next financial year along with projections for the following two years based on the Group's Business Plan which was also approved by the board. A 2% growth rate was applied thereafter.

The key assumptions in the calculation of value in use are:

- settled stakes;
- gross win margins; and
- discount rate.

Settled stakes are based on monies placed by customers for the sportsbook and gaming businesses. Management takes into account the product mix, major sporting events and industry developments when determining settled stakes.

Gross win margins are based on values achieved in the past and amended for any anticipated changes in the budget period.

There are possible changes in key assumptions that could cause the carrying value of Rank Interactive to exceed its recoverable amount. These are:

- settled stakes may be affected by a decrease in customers, a decrease in marketing spend, a change in technology, competition or regulatory changes; and
- gross win margins may be affected by the results of sporting events, odds setting or by changes in legislation to the gaming industry.

Changes in either key assumption impacts gross win, which is calculated by applying the win margin to stakes placed. If gross win were to decrease by in excess of 20% each year the value in use would equal the carrying value of the CGU.

(ii) Casino licences

The inherent value of casino licences is deemed to be an intrinsic part of the value of the operation of casinos as a whole and is therefore not split out from total casino assets in an impairment review. The cost of casino licences as at 31 December 2008 was £97.1m (2007: £92.2m) and management does not believe that there is any impairment.

Each Grosvenor casino has been treated as a separate CGU, and tested for impairment on that basis. The recoverable amount of each Grosvenor casino, including the licence, has been determined based on the higher of fair value less costs to sell and value in use. Value in use has been calculated using cash flow projections based on financial budgets approved by the board for the next financial year along with projections for the following two years based on the Group's Business Plan which was also approved by the board. A long-term growth rate of 2% was applied thereafter.

Any impairment is allocated equally across all assets in a CGU unless a fair market value exists for one or more assets. Once an asset has been written down to its fair value less costs to sell then any remaining impairment is allocated equally amongst all other assets. Casino licences are generally not impaired as they have an indefinite life and a fair market value in excess of their carrying value. Estimates of the fair value less costs to sell are performed internally by experienced senior management supported by knowledge of similar transactions or where applicable offers received.

The calculation of the value in use of a casino licence is most sensitive to the following assumptions:

- admissions;
- spend per visit;
- rate of casino duty;
- competition; and
- discount rate.

13 Impairment review continued

(a) Impairment review of intangible assets with indefinite lives continued

(ii) Casino licences continued

Admissions are the number of discrete visits by members to the casino and have been based on historic trends.

Spend per visit comprises the average amount of money (net of winnings) spent by a member on gaming tables, machines and food and beverages. This has been determined by historic trends.

Casino duty is levied in bands of between 15% and 50% depending upon the level of gaming win at each casino. The bands and rates have been assumed to remain at current levels without indexation.

Competition comprises other casinos located in the same geographic area. The impact of this has been assessed by individual location.

There are possible changes in key assumptions that could cause the carrying value of individual licences to exceed their recoverable amount. These are:

- competition from licences granted under the Gambling Act 2005 and 1968 Gaming Act which could vary depending upon the number and location of new casinos as well as the date of opening;
- admission levels could vary as a result of general economic conditions; and
- spend per visit may be impacted by the number of new members, changes in gaming legislation and macro economic conditions.

Management does not believe that there are any reasonably possible changes to the key assumptions that would result in a material impairment of a casino licence.

(iii) Spanish bingo licences

The inherent value of Spanish bingo licences are deemed to be an intrinsic part of the value of the operations as a whole and are not therefore split out from Spanish bingo assets in an impairment review. The cost of Spanish bingo licences as at 31 December 2008 was £22.9m (2007: £23.7m). Each individual bingo club has been treated as a separate CGU and tested for impairment on that basis. The recoverable amount has been determined based on a value in use calculation using cash flow projections based on financial budgets approved by the board for the next financial year along with projections for the following two years based on the Group's Business Plan (adjusted for the current economic conditions) which was also approved by the board. A long-term growth rate of 3% was applied thereafter.

The calculation of the value in use of a bingo licence is most sensitive to the following assumptions:

- admissions;
- spend per visit;
- competition; and
- discount rate.

Admissions are the number of discrete visits to the bingo club and have been based on recent trends.

Spend per visit comprises the average amount of money (net of winnings) spent by a member on bingo games, machines and food and beverages. This has been determined by recent trends.

Competition comprises other bingo clubs located in the same geographic area. The impact of this has been assessed by individual location.

There are possible changes in key assumptions that could cause the carrying value of individual licences to exceed their recoverable amount. These are:

- admission levels could vary as a result of changes in economic conditions in Spain and promotional activity undertaken;
- spend per visit could be impacted by the economic climate and changes in gaming legislation; and
- competition could be impacted by the possible closure of competing clubs as well as new openings, although this is less likely in the current climate.

As set out below and in notes 4 and 11, impairments have been booked against bingo licences in the current year. Any material change to the assumptions could lead to further impairments depending upon which bingo club is affected. A 10% reduction in income across all clubs would lead to an additional impairment of less than £1.0m.

13 Impairment review continued

(b) Impairment review of property, plant and equipment

As stated in the accounting policies note (section L) if the carrying value of the Group's property, plant and equipment is higher than the estimated recoverable amount the value of those assets is written down. Property, plant and equipment and intangible assets are grouped into CGUs which are defined as individual clubs for Mecca Bingo, Top Rank España and Grosvenor Casinos and the whole operation for Rank Interactive.

The key assumptions and sensitivities in the impairment reviews are the same as those for casino assets and licences set out above.

Recoverable amount is determined based on the higher of fair value less costs to sell and value in use, which is calculated using cash flow projections based on financial budgets approved by the board for the next financial year along with projections for the following two years based on the Group's Business Plan which was also approved by the board. A long-term growth rate of 2% was applied thereafter to Mecca Bingo, Grosvenor Casinos and Rank Interactive and 3% to Top Rank España. Estimates of the fair value less costs to sell are performed internally by an experienced surveyor supported by advice from estate agents and, where applicable, offers received.

Any impairment is allocated equally across all assets in a CGU unless a fair market value exists for one or more assets. Once an asset has been written down to its fair value less costs to sell then any remaining impairment is allocated equally amongst all other assets.

(c) Impairment recognised during the year

2008

Mecca Bingo

In 2008 an impairment charge of £1.9m has been recognised in respect of a small number of clubs where the impact of competitor openings has resulted in estimated cash flows that are lower than the carrying value of property, plant and equipment.

Top Rank España

In 2008 an impairment charge of £8.4m has been recognised in relation to four bingo clubs where the impact of the recession in Spain has resulted in estimated cash flows that are lower than the carrying value of the bingo licences, property, plant and equipment.

Grosvenor Casinos

In 2008 an impairment charge of £2.8m has been recognised in respect of a limited number of casinos where the impact of increased competition has resulted in estimated cash flows that are lower than the carrying value of property, plant and equipment.

Rank Interactive

In 2008 an impairment charge of £1.4m has been recognised in respect of certain software development assets which are no longer expected to generate any material economic benefit or have any resale value.

2007

Mecca Bingo

In 2007 an impairment charge of £25.7m was recognised in respect of a number of clubs where the estimated cash flows associated with those clubs were less than the carrying value of the property, plant and equipment. The impact from the smoking bans in the UK and the loss of Section 21 gaming terminals was more severe than management had anticipated. As a consequence, in certain clubs it was also necessary to make onerous lease provisions amounting to £19.1m.

Grosvenor Casinos

In 2007 an impairment charge of £8.2m was recognised in respect of a limited number of casinos where the effects of the smoking ban, increased competition and changes in casino duty levels resulted in estimated cash flows that were lower than the carrying value of property, plant and equipment. An onerous lease provision of £1.7m was also made.

Notes to the financial statements continued

14 Investments

	Group 2008 £m	Group 2007 £m	Company 2008 £m	Company 2007 £m
Investments in subsidiaries	–	–	1,026.3	1,343.6
Financial assets – available-for-sale investments	–	0.1	–	–
Total investments	–	0.1	1,026.3	1,343.6

Available-for-sale financial assets comprise £nil (2007: £0.1m) in respect of UK listed equity investments, which by their nature have no fixed maturity date or coupon rate.

The fair value of the listed equity shares has been estimated using valuation guidelines based on market prices. The decline in the fair value of the equities resulted in an impairment loss of £0.1m being recognised in the income statement and cumulative fair value losses of £0.6m previously recognised in equity being recycled to the income statement in 2008. In 2007 a fair value loss of £0.4m was recognised in equity.

Investments in subsidiaries (Company)

A list of the significant investments in subsidiaries, including the name, country of incorporation and proportion of ownership interest is given in note 41. Investments in subsidiaries are carried at cost of £1,515.6m (2007: £1,515.6m) less provision for impairment of £489.3m (2007: £172.0m).

The significant deterioration in the economy and changes in market sentiment towards the betting and gaming industry have led to a reduction in the earnings multiples used as a basis for the annual impairment review of the carrying value of the Company's investments in subsidiaries. As a result an impairment loss of £317.3m has been recognised.

15 Deferred tax

The analysis of deferred tax included in the financial statements at the end of the year is as follows:

	Group 2008 £m	Group 2007 £m
Deferred tax assets		
Accelerated capital allowances	41.3	38.0
Tax losses carried forward	15.7	24.2
Deferred tax assets	57.0	62.2
Deferred tax liabilities		
Pensions	–	(29.1)
Other overseas timing differences	(6.9)	(7.8)
Business combinations – non-qualifying properties	(1.9)	(2.5)
Other UK timing differences	(11.8)	(16.8)
Deferred tax liabilities	(20.6)	(56.2)
Net deferred tax asset	36.4	6.0

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets and current tax liabilities and it is the intention to settle these on a net basis. Deferred tax assets and liabilities of £13.7m (2007: £48.7m) have been offset and disclosed on the balance sheet as follows:

	2008 £m	2007 £m
Deferred tax assets	43.3	13.5
Deferred tax liabilities	(6.9)	(7.5)
Net deferred tax asset	36.4	6.0

The deferred tax assets recognised are recoverable against future taxable profits that the directors consider more likely than not to occur on the basis of management forecasts.

There are unrecognised deferred tax assets at 31 December 2008 of £11.2m (2007: £nil).

15 Deferred tax continued

Temporary differences associated with Group investments

At 31 December 2008, there was no recognised deferred tax liability (2007: £nil) for taxes that would be payable on the unremitted earnings of certain of the Group's overseas subsidiaries as:

- the Group has determined that undistributed profits of its overseas subsidiaries will not be distributed in the foreseeable future; and
- the parent company does not foresee giving such consent at the balance sheet date.

The Company had no deferred tax asset or liability in either year.

The deferred tax included in the Group income statement is as follows:

	Group	
	2008 £m	2007 £m
Deferred tax in the income statement		
Accelerated capital allowances	3.3	5.5
Deferred tax movement on fair valued assets	0.6	0.6
Tax losses	(8.5)	(14.8)
Other timing differences	34.9	(10.4)
Total deferred tax credit (expense)	30.3	(19.1)
Deferred tax expense on discontinued operations	–	(32.3)
Deferred tax credit on continuing operations	30.3	13.2
Total deferred tax credit (expense)	30.3	(19.1)

Deferred tax on discontinued operations in 2007 includes deferred tax charges on tax losses of £32.3m.

The 2007 comparatives are shown net of a deferred tax charge of £3.4m resulting from the reduction in the headline UK corporation tax rate from 30% to 28%.

The deferred tax movement on the balance sheet is as follows:

	2008 £m	2007 £m
Net deferred tax asset at 1 January	6.0	2.0
Exchange adjustments	(2.1)	(0.8)
Deferred tax credit (expense)	30.3	(19.1)
Deferred tax on items included in equity	2.2	(5.0)
Classified from held for sale	–	28.9
Net deferred tax asset at 31 December	36.4	6.0

16 Inventories

	Group	
	2008 £m	2007 £m
Raw materials	0.4	0.3
Finished goods	3.4	3.1
	3.8	3.4

The Group wrote down £nil (2007: £nil) of inventories.

17 Trade and other receivables

	Group 2008 £m	Group 2007 £m	Company 2008 £m	Company 2007 £m
Current				
Trade receivables	2.7	1.8	–	–
Less: provisions for impairment of trade receivables	(1.0)	(0.9)	–	–
Trade receivables – net	1.7	0.9	–	–
Other receivables	15.2	12.7	–	–
Prepayments and accrued income	17.4	16.3	–	–
Amounts owed by subsidiary undertakings repayable on demand	–	–	43.6	43.6
	34.3	29.9	43.6	43.6
Non-current				
Other receivables	1.9	1.5	–	–
	1.9	1.5	–	–

The carrying values of trade receivables are assumed to approximate to their fair values due to the short term nature of trade receivables.

As at 31 December 2008, trade receivables of £1.0m (2007: £0.9m) were impaired. The amount of the provision was £1.0m (2007: £0.9m). The ageing of these receivables is as follows:

	2008 £m	2007 £m
Up to 3 months	–	–
3 to 6 months	(0.1)	–
Over 6 months	(0.9)	(0.9)
	(1.0)	(0.9)

As at 31 December 2008, trade receivables of £0.6m (2007: £0.3m) were past due but not impaired. The ageing of these trade receivables is as follows:

	2008 £m	2007 £m
Up to 3 months	0.5	0.2
3 to 6 months	0.1	–
Over 6 months	–	0.1
	0.6	0.3

The carrying amounts of the Group's trade receivables are denominated in the following currencies:

	2008 £m	2007 £m
UK Sterling	1.6	0.8
Euro	0.1	0.1
	1.7	0.9

The movements on the Group provision for impairment of trade receivables are as follows:

	2008 £m	2007 £m
At 1 January	(0.9)	(1.0)
Exchange movement	(0.1)	–
Provision for receivables impairment	(0.2)	(0.3)
Receivables written off during the year as uncollectible	0.1	0.4
Unused amounts reversed	0.1	–
At 31 December	(1.0)	(0.9)

The creation and release of provision for impaired receivables have been included in other operating costs in the income statement. Amounts charged to the allowance account are generally written off when there is no expectation of recovering additional cash.

The other classes within trade and other receivables do not contain impaired assets.

The maximum exposure to credit risk at the reporting date is the fair value of each class of receivable mentioned above. The Group does not hold any collateral as security.

18 Trade and other payables – current

	Group 2008 £m	Group 2007 £m	Company 2008 £m	Company 2007 £m
Trade payables	**16.2**	17.9	**–**	–
Other tax and social security payable	**10.6**	8.3	**–**	–
Other payables	**62.0**	54.8	**–**	–
Accruals	**23.1**	17.2	**2.0**	2.0
Deferred consideration	**–**	3.0	**–**	–
Pension fund creditor (see note 34)	**2.5**	2.6	**–**	–
Amounts owed to subsidiary undertakings repayable on demand	**–**	–	**562.8**	523.2
	114.4	103.8	**564.8**	525.2

19 Current tax

	Group 2008 £m	Group 2007 £m
Corporation tax receivable	**3.9**	–
Corporation tax payable	**(6.6)**	(5.4)
Net corporation tax payable	**(2.7)**	(5.4)

20 Financial guarantees

The fair value of the guarantees issued by the Company is £1.0m (2007: £1.3m). This is calculated by applying the Company's probability of default, derived from the Company's credit rating, to the 31 December 2008 drawn debt of subsidiaries guaranteed by the Company.

21 Borrowings

Borrowings comprise the following:

	Group 2008 £m	Group 2007 £m	Company 2008 £m	Company 2007 £m
Current				
Bank overdrafts	**6.9**	3.5	**–**	–
US Dollar Yankee bonds	**–**	49.8	**–**	–
Convertible bonds (net of unamortised facility fees and equity component)	**158.0**	–	**158.0**	–
Obligations under finance leases	**0.7**	0.9	**–**	–
Other (including accrued interest and unamortised facility fees)	**3.3**	6.5	**2.7**	2.9
	168.9	60.7	**160.7**	2.9
Non-current				
US Dollar Yankee bonds	**9.9**	7.2	**–**	–
Convertible bonds (net of unamortised facility fees and equity component)	**–**	163.1	**–**	163.1
Syndicated loan facilities	**150.0**	150.0	**–**	–
Obligations under finance leases	**12.7**	13.7	**–**	–
Unamortised facility fees	**(1.7)**	(3.0)	**–**	–
	170.9	331.0	**–**	163.1
Total borrowings	**339.8**	391.7	**160.7**	166.0
Sterling	**329.9**	334.7	**160.7**	166.0
US Dollars	**9.9**	57.0	**–**	–
Total borrowings	**339.8**	391.7	**160.7**	166.0

21 Borrowings continued

During the year convertible bonds with a par value of £9.5m were redeemed for a cost of £9.1m. The discount arising of £0.4m has been recognised in other financial gains in the income statement. The remaining convertible bonds matured in January 2009 and were redeemed at par value from existing facilities. The bonds were convertible at the option of the holder into fully paid ordinary shares at £3.5167 (2007: £3.5167) per share. Interest was paid half yearly in January and July. The effective interest rate on the liability portion of the bond was 4.2%. None of the bonds were converted during either year. If the conversion rights attached to the bonds outstanding at 31 December 2008 had been exercised, 45.0m ordinary shares would fall to be issued (2007: 47.7m).

At 31 December 2008 there were drawings of £150.0m (2007: £150.0m) on the syndicated bank facility. The facility was signed on 14 April 2007 and consists of a £150m term loan and £250m multi currency revolving credit facility. Both the term loan and the revolving credit facility expire in April 2012. Interest is payable on a monthly basis.

Also included in borrowings is US$14.3m (£9.9m) (2007: US$114.3m (£57.0m)) of Yankee bonds which mature in 2018. US$100.0m of bonds matured in 2008 and were repaid from existing facilities. Interest on the remaining bonds is payable half yearly in January and July.

Borrowings include obligations under finance leases, of which £0.7m (2007: £0.9m) expire within one year, £0.7m (2007: £0.7m) expire between one and two years, £2.5m (2007: £2.5m) expire between two and five years, and £9.5m (2007: £10.5m) expire after five years.

The fair value of the convertible bonds is £154.8m. The fair value of all other current borrowings equal their carrying amount.

The Group complied with all its covenants during the period.

The carrying amounts and fair value of non-current borrowings are as follows:

	Carrying amount		*Fair value*	
	2008 £m	*2007 £m*	***2008 £m***	*2007 £m*
US Dollar Yankee bonds	**9.9**	7.2	**9.6**	7.2
Convertible bonds	**–**	163.1	**–**	167.7
Syndicated loan facilities	**150.0**	150.0	**150.0**	150.0
Obligations under finance leases	**12.7**	13.7	**12.7**	13.7
Unamortised facility fees	**(1.7)**	(3.0)	**(1.7)**	(3.0)
Non-current	**170.9**	331.0	**170.6**	335.6

Undrawn borrowing facilities

At 31 December 2008 the Group had undrawn committed borrowing facilities available of £250.0m (2007: £250.0m) in respect of which all conditions precedent had been met at that date. These facilities expire in 2012 and accrue interest at floating rates.

22 Derivative financial instruments

The carrying value of financial assets at 31 December 2008 was £11.2m (2007: £0.6m) and is considered to equal their fair value. The impact of discounting is not considered significant as the derivatives matured in January 2009.

	2008		*2007*	
	Assets £m	***Liabilities £m***	*Assets £m*	*Liabilities £m*
Cross currency swap – cash flow hedge	**–**	**–**	–	(0.3)
Interest rate swap – fair value hedge	**–**	**–**	–	(0.5)
Forward exchange contract – net investment hedge	**8.9**	**(14.4)**	–	(1.4)
Forward exchange contract – inter-company loan hedge (held for trading)	**–**	**–**	0.4	–
Forward exchange contract – cash flow hedge	**2.3**	**(0.1)**	0.2	(0.3)
Total	**11.2**	**(14.5)**	0.6	(2.5)
Less non-current portion	**–**	**–**	–	–
Current portion	**11.2**	**(14.5)**	0.6	(2.5)

There was no ineffectiveness to be recorded.

22 Derivative financial instruments continued

Nominal values of derivative financial instruments

The nominal values of derivative financial instruments at 31 December 2008 were:

2008	*US$m*	*€m*
Forward exchange contract – net investment hedge	**94.3**	**83.0**
Forward exchange contract – cash flow hedge	**25.7**	**–**

2007	*US$m*	*€m*
Cross currency swap – cash flow hedge	78.0	–
Interest rate swap – fair value hedge	100.0	–
Forward exchange contract – net investment hedge	–	95.0
Forward exchange contract – inter-company loan hedge (held for trading)	–	28.0
Forward exchange contract – cash flow hedge	75.0	–

(a) Fair value hedge

The notional principal amount of the outstanding interest rate swap contracts at 31 December 2008 was US$nil (2007: US$100.0m). The $100m swaps held at 31 December 2007 matured in January 2008. These swaps hedged the interest due on the 2008 Yankee bonds, which was payable in January and July each year. The gain on the fair value hedge instrument was £0.4m (2007: £1.1m). The loss on the underlying 2008 Yankee bond was £0.4m (2007: £1.1m).

(b) Cash flow hedges

The Group entered into a series of currency forwards to hedge the repayment of US Dollar debt and interest due in January 2018. The nominal value of the derivatives at 31 December 2008 was $25.7m (2007: $nil) with a fair value of £2.2m (2007: £nil). This hedge matured in January 2009.

The Group entered into a series of currency forwards and cross currency swaps to hedge the repayment of US Dollar debt and interest due in January 2008. These matured in January 2008. The nominal value of the derivatives at 31 December 2007 was $103.0m with a fair value of £(0.4)m. The cash flows and profit and loss entries occurred in January 2008 on maturity of the 2008 US Dollar Yankee bonds.

(c) Net investment hedges

The Group has hedged the translation risk on its euro denominated assets using a series of forward foreign currency contracts. The nominal value of the contracts at 31 December 2008 was €83m (2007: €95m), with a net fair value of £(13.5)m (2007: £(1.4)m).

The Group has hedged the translation risk on its US Dollar denominated liabilities using a series of forward foreign currency contracts. The nominal value of the contracts at 31 December 2008 was $94.3m (2007: $nil), with a net fair value of £8.0m (2007: £nil).

(d) Derivatives held for trading

The retranslation of inter-company loan balances across the Group was hedged using a series of forward foreign exchange contracts and cross currency swaps. The nominal value of the swaps at 31 December 2007 was €28m, with a net fair value of £0.4m. The hedges matured in January 2008.

At 31 December 2007 there were £(0.5)m derivatives outstanding that were designated as fair value hedges, relating to interest rate swaps. These matured in January 2008.

23 Financial instruments by category

The accounting policies for financial instruments have been applied to the line items below:

Group	Loans and receivables £m	Assets at fair value through profit and loss £m	Derivatives used for hedging £m	Available-for-sale £m	Total £m
31 December 2008					
Available-for-sale financial assets	–	–	–	–	–
Derivative financial instruments	–	2.3	8.9	–	11.2
Trade and other receivables	9.7	–	–	–	9.7
Cash and cash equivalents	111.7	–	–	–	111.7
Total financial assets as per balance sheet	121.4	2.3	8.9	–	132.6
31 December 2007					
Available-for-sale financial assets	–	–	–	0.1	0.1
Derivative financial instruments	–	0.4	0.2	–	0.6
Trade and other receivables	1.8	–	–	–	1.8
Cash and cash equivalents	72.1	–	–	–	72.1
Total financial assets as per balance sheet	73.9	0.4	0.2	0.1	74.6

Group	Derivatives used for hedging £m	Other financial liabilities £m	Total £m
31 December 2008			
Borrowings	–	339.8	339.8
Trade and other payables	–	114.4	114.4
Derivative financial instruments	14.5	–	14.5
Total financial liabilities as per balance sheet	14.5	454.2	468.7
31 December 2007			
Borrowings	–	391.7	391.7
Trade and other payables	–	104.3	104.3
Derivative financial instruments	2.5	–	2.5
Total financial liabilities as per balance sheet	2.5	496.0	498.5

Company	Loans and receivables £m	Total £m
31 December 2008		
Trade and other receivables	43.6	43.6
Cash and cash equivalents	–	–
Total financial assets as per balance sheet	43.6	43.6
31 December 2007		
Trade and other receivables	43.6	43.6
Cash and cash equivalents	0.3	0.3
Total financial assets as per balance sheet	43.9	43.9

23 Financial instruments by category continued

Company	*Liabilities at fair value through profit and loss £m*	*Other financial liabilities £m*	*Total £m*
31 December 2008			
Borrowings	–	**160.7**	**160.7**
Trade and other payables	–	**564.8**	**564.8**
Financial guarantees	**1.0**	–	**1.0**
Total financial liabilities as per balance sheet	**1.0**	**725.5**	**726.5**
31 December 2007			
Borrowings	–	166.0	166.0
Trade and other payables	–	525.2	525.2
Financial guarantees	1.3	–	1.3
Total financial liabilities as per balance sheet	1.3	691.2	692.5

24 Financial risk management

Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance. The Group uses derivative financial instruments to hedge certain risk exposures.

Risk management is carried out by a central treasury department (Group treasury) under policies approved by the board of directors. Group treasury identifies, evaluates and hedges financial risks in close co-operation with the Group's operating units. The board provides written principles for overall risk management, as well as written policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk, use of derivative financial instruments and non-derivative financial instruments, and investment of excess liquidity.

(a) Market risk

(i) Foreign exchange risk

The Group operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the euro and the US Dollar. Foreign exchange risk arises from recognised assets and liabilities and net investments in foreign operations.

The Group has certain investments in foreign operations whose net assets are exposed to foreign currency translation risk. Currency exposure arising from the net assets of the Group's foreign operations is managed primarily through the matching of borrowings to assets and by the purchase of derivatives denominated in the relevant foreign currencies. Group policy is to hedge 90% of material identified exposures.

At 31 December 2008, if the US Dollar had weakened/strengthened by 3% against UK Sterling with all other variables held constant, post-tax profit for the year would have been materially unchanged (2007: £2.3m higher/£2.6m lower), mainly as a result of foreign exchange gains/losses on translation of US Dollar denominated borrowings. Profit is less sensitive to movement in US Dollar exchange rates in 2008 than 2007 because of the decreased amount of US Dollar denominated borrowings. The majority of US Dollar denominated borrowings matured in January 2008. Equity would have been unchanged.

At 31 December 2008, if the euro had weakened/strengthened by 5% against UK Sterling with all other variables held constant, post-tax profit for the year would have been unchanged (2007: £0.5m higher/lower), mainly as a result of foreign exchange gains/losses on translation of euro denominated cash balances. Equity would have been £4.3m higher/lower (2007: £1.5m higher/lower) arising mainly from foreign exchange losses/gains on translation of net investment hedges.

(ii) Cash flow and fair value interest rate risk

As the Group has no significant interest bearing assets, the Group's income and operating cash flows are substantially independent of changes in market interest rates. The Group's only interest bearing assets are cash and cash equivalents which earn floating rate interest.

The Group's interest rate risk arises from long-term borrowings. Borrowings issued at variable rates expose the Group to cash flow interest rate risk. Borrowings issued at fixed rates expose the Group to fair value interest rate risk. Group policy is to maintain between 40% and 60% of its borrowings in fixed rate instruments using interest rate swaps to achieve this where necessary. At 31 December 2008, 54% of the Group's debt was held in fixed rate borrowings (2007: 45%).

During 2008 and 2007, the Group's borrowings at variable rate were denominated in US Dollar and UK Sterling.

24 Financial risk management continued

(ii) Cash flow and fair value interest rate risk continued

The Group analyses its interest rate exposure on a dynamic basis. Various scenarios are simulated taking into consideration refinancing, renewal of existing positions, alternative financing and hedging. Based on these scenarios, the Group calculates the impact on profit and loss of a defined interest rate shift. For each simulation, the same interest rate shift is used for all currencies. The scenarios are run only for liabilities that represent the major interest bearing positions. Based on the simulations performed, the impact on profit or loss of a 120 basis-point shift would be a maximum increase of £4.8m (2007: £1.7m) or decrease of £4.8m (2007: £1.7m), respectively.

Based on the various scenarios, the Group manages its cash flow interest rate risk by using floating-to-fixed interest rate swaps. Such interest rate swaps have the economic effect of converting borrowings from floating rates to fixed rates. Generally, the Group raises long-term borrowings at floating rates and swaps them into fixed rates that are lower than those available if the Group borrowed at fixed rates directly. Under the interest rate swaps, the Group agrees with other parties to exchange, at specified intervals (primarily half yearly), the difference between fixed contract rates and floating-rate interest amounts calculated by reference to the agreed notional amounts.

Occasionally the Group also enters into fixed-to-floating interest rate swaps to hedge the fair value interest rate risk arising where it has borrowed at fixed rates in excess of the 60% target.

(b) Credit risk

Credit risk is managed on a Group basis. Credit risk arises from cash and cash equivalents, derivative financial instruments and deposits with banks and financial institutions, as well as credit exposures on outstanding receivables.

The Group only deals with banks and financial institutions with which they have a lending or advisory relationship. The creditworthiness of each counterparty is checked against independent credit ratings on at least a weekly basis with a minimum rating of 'A' required. An internal rating is then allocated and an individual credit limit is set in accordance with policy set by the board. Management reviews the utilisation of credit limits on a regular basis. In 2008 the Group reduced the credit limit of each of its counterparties and where necessary nil limits were introduced.

The Group predominantly uses 'AAA' rated Money Market Funds when investing its surplus cash. The rating and portfolio of each fund is reviewed on at least a weekly basis. In addition to investing the Group's cash with Money Market Funds the Group invests with lending banks when appropriate.

Sales to retail customers are settled in cash or using major credit cards and therefore the exposure to credit risk is not considered significant.

No credit limits were exceeded during the reporting period and management does not expect any losses from non-performance of its counterparties.

2008	*Cash £m*	*Derivatives £m*	*Total £m*
AAA	**47.9**	**–**	**47.9**
AA	**3.7**	**5.7**	**9.4**
A	**35.8**	**5.5**	**41.3**
Other	**3.4**	**–**	**3.4**
Cash floats	**20.9**	**–**	**20.9**
Cash, cash equivalents and derivative assets	**111.7**	**11.2**	**122.9**

2007	*Cash £m*	*Derivatives £m*	*Total £m*
AA	39.6	0.6	40.2
A	17.6	–	17.6
Cash floats	14.9	–	14.9
Cash, cash equivalents and derivative assets	72.1	0.6	72.7

24 Financial risk management continued

(c) Liquidity risk

Liquidity risk is the risk that the Group will not have sufficient funds to meet its liabilities. Cash forecasts identifying the liquidity requirements of the Group are produced quarterly. The cash forecasts are sensitivity tested for different scenarios and are reviewed regularly. Forecast financial headroom and debt covenant compliance is reviewed monthly during the month end process to ensure sufficient financial headroom exists for at least a 12 month period.

Due to the dynamic nature of the underlying businesses, Group treasury aims to maintain flexibility in funding by keeping committed credit lines available. A four year strategic forecast is prepared annually to facilitate planning for future financing needs. Management actively manages its financing requirements and the range of maturities on its debt. The Group has committed financing facilities until 2012, of which £250.0m (2007: £250.0m) was undrawn at 31 December 2008.

The Group's core debt facility is a £400m syndicated bank facility. The Group considers the counterparties to this facility to be of high quality and proactively manages its relationships with its lending group.

The funding policy of the Group is to maintain, as far as practicable, a broad portfolio of debt diversified by source and maturity, and to maintain committed facilities sufficient to cover seasonal peak anticipated borrowing requirements.

The table below analyses the Group's financial liabilities which will be settled on a net basis into relevant maturity groupings based on the remaining period at the balance sheet to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

At 31 December 2008	Less than 1 year £m	Between 1 and 2 years £m	Between 2 and 5 years £m	Over 5 years £m
Borrowings	**169.6**	**1.4**	**155.3**	**19.5**
Derivative financial instruments – net settled	–	–	–	–
Derivative financial instruments – gross settled – inflow	**106.5**	–	–	–
Derivative financial instruments – gross settled – outflow	**30.5**	–	–	–
Trade and other payables	**114.4**	–	–	–
	421.0	**1.4**	**155.3**	**19.5**

At 31 December 2007	£m	£m	£m	£m
Borrowings	63.2	172.1	154.0	20.2
Derivative financial instruments – net settled	126.8	–	–	–
Derivative financial instruments – gross settled – inflow	–	–	–	–
Derivative financial instruments – gross settled – outflow	39.7	–	–	–
Trade and other payables	103.8	0.5	–	–
	333.5	172.6	154.0	20.2

Capital risk management

During the difficult conditions which developed in the global capital markets in 2008, the Group's objectives when managing capital have been to ensure continuing access to existing debt facilities and to manage the borrowing cost of those facilities in order to minimise the Group's interest charge. The Group's leverage in 2008 was below the levels previously set by its long-term strategy, which was to maintain a leverage ratio of 3.5-4.0 times and its overall objective is to continue to operate with prudent levels of leverage during the current global financial crisis.

Consistent with others in the gaming industry, the Group monitors capital on the basis of its leverage ratio. This ratio is calculated as net debt divided by EBITDA. Net debt is calculated as total borrowings (including 'borrowings' as shown in the consolidated balance sheet) less cash and cash equivalents, less accrued interest, less unamortised facility fees and amounts relating to discontinued operations. EBITDA is calculated as operating profit before exceptional items plus depreciation and amortisation.

24 Financial risk management continued

Capital risk management continued

The leverage ratios at 31 December 2008 and 2007 were as follows:

	2008 £m	2007 £m
Total borrowings (see note 21)	339.8	391.7
Less: Cash and cash equivalents	(111.7)	(72.1)
Less: Accrued interest	(4.0)	(6.5)
Less: Unamortised facility fees	2.4	3.8
Net debt	226.5	316.9
Operating profit from continuing operations before exceptionals	60.3	68.3
Add: Operating profit from discontinued operations before exceptionals	–	2.1
Add: Depreciation and amortisation – continuing operations	26.3	28.5
EBITDA	86.6	98.9
Leverage ratio	2.6	3.2

Fair value estimation

The fair value of financial instruments traded in active markets (such as available-for-sale securities) is based on quoted market prices at the balance sheet date. The quoted market price used for financial assets held by the Group is the current bid price.

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined by using valuation techniques. The Group uses a variety of methods and makes assumptions that are based on market conditions existing at each balance sheet date. Quoted market prices or dealer quotes for similar instruments are used for long-term bonds. Other techniques, such as estimated discounted cash flows, are used to determine fair value for the remaining financial instruments. The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows. The fair value of forward foreign exchange contracts is determined using quoted forward exchange rates at the balance sheet date.

The fair value of quoted borrowings is based on year-end mid-market quoted prices. The fair values of other borrowings and the derivative financial instruments are estimated by discounting the future cash flows to net present values using appropriate market rates prevailing at the year-end.

25 Other non-current liabilities

	Group	
	2008 £m	2007 £m
UK corporation tax and overseas taxation	38.8	31.5
Deferred consideration	–	0.5
	38.8	32.0

The UK corporation tax and overseas taxation primarily relate to ongoing tax exposures on discontinued operations in overseas jurisdictions and tax planning that has been challenged by the relevant tax authority. The liability represents management's current estimate of the payments that will be required to settle the various issues.

26 Provisions for other liabilities and charges

Group	Onerous leases £m	Disposal provisions £m	Total £m
At 1 January 2008	33.5	46.9	**80.4**
Exchange adjustments	–	7.8	**7.8**
Unwinding of discount	1.6	1.2	**2.8**
Impact of change in discount rate charged to the income statement – exceptional	4.3	–	**4.3**
Charged to the income statement – exceptional	7.9	–	**7.9**
Released to the income statement – exceptional	(10.5)	(15.0)	**(25.5)**
Utilised in year	(2.7)	(18.7)	**(21.4)**
At 31 December 2008	**34.1**	**22.2**	**56.3**
Current	3.8	9.2	**13.0**
Non-current	30.3	13.0	**43.3**
Total	**34.1**	**22.2**	**56.3**

The maturity profile of provisions is as follows:

2008			
Within one year	**3.8**	**9.2**	**13.0**
Between one and two years	**2.3**	**7.7**	**10.0**
Between two and five years	**5.9**	**4.9**	**10.8**
Over five years	**22.1**	**0.4**	**22.5**
	34.1	**22.2**	**56.3**

2007			
Within one year	3.9	16.5	20.4
Between one and two years	3.0	3.9	6.9
Between two and five years	6.0	13.0	19.0
Over five years	20.6	13.5	34.1
	33.5	46.9	80.4

Provisions have been discounted at a risk free interest rate of 3.6% (2007: 5.0%) where the effects of inflation will have a material impact.

Onerous leases

The Group is party to a number of leasehold property contracts. Provision has been made against those leases where the property is now vacant and the unavoidable costs under the lease exceed the economic benefit expected to be derived from potential sub-letting arrangements. Provision has also been made against leases where impairment testing has indicated that, after recognising an impairment charge, the estimated discounted cash flows derived from the property and its associated operations are insufficient to cover the unavoidable lease costs and the lease is therefore deemed onerous. These leases have an unexpired life of between under one year and 81 years.

Disposal provisions

The disposal provisions held at 31 December 2008 consist of the following:

	£m
Onerous leases	**1.1**
Other	**21.1**
At 31 December 2008	**22.2**

Provision has been made for outstanding insurance claims, deferred payments arising from the settlement of the US lease obligation, warranty provisions for potential claims and other directly attributable costs arising as a consequence of the sale or closure of the businesses. The timing of any insurance and warranty claims is uncertain and therefore these claims have been included in the maturity analysis based on management's best estimates.

27 Share capital

	2008 Authorised		2007 Authorised	
	Number m	Nominal value £m	Number m	Nominal value £m
Ordinary shares of 13 8/9p each	1,296.0	180.0	1,296.0	180.0

	2008 Issued and fully paid		2007 Issued and fully paid	
	Number m	Nominal value £m	Number m	Nominal value £m
At 1 January	390.5	54.2	542.4	54.2
Share consolidation 18 (ordinary 13 8/9p each) for 25 (ordinary 10p each)	–	–	(151.9)	–
At 31 December	390.5	54.2	390.5	54.2

There were no ordinary shares issued during the year.

1,059,826 (2007: 1,059,826) ordinary shares in the Company are held by the Rank Group Employee Benefit Trust ('the Trust'). These owned shares are deducted from equity in accordance with IAS 32 and not disclosed as an investment.

Dividends on the shares held by the Trust have been waived by the trustees with the exception of one penny in respect of each dividend that is paid by the Company. The Trust may make such investments in the shares of the Company or otherwise as the trustees may determine to provide benefits to any eligible employee. The benefits may be provided in the form of shares, cash or otherwise, although any share-related benefit will be provided in accordance with an appropriate employee share scheme or bonus scheme of the Company. The shares held by the Trust represent less than 0.3% of the Company's called-up share capital. The costs of funding and administering the scheme are charged to the income statement of the Company in the period to which they relate. The market value of the shares at 31 December 2008 was £0.7m (2007: £1.0m).

2007 share consolidation

In conjunction with the special dividend payment, shareholders received 18 new Rank shares for every 25 existing Rank shares held on 23 March 2007. Apart from having a different nominal value, each new Rank share carries the same rights as are set out in the Articles of Association for each existing Rank share prior to the share consolidation taking place.

28 Statements of changes in shareholders' equity

Group	*Share capital £m*	*Share premium £m*	*Capital redemption £m*	*Exchange translation reserve £m*	*Fair value reserve £m*	*Equity component of convertible bond £m*	*Retained losses £m*	*Total £m*
At 1 January 2007	54.2	98.1	33.4	(4.5)	44.2	7.5	(157.6)	75.3
Exchange adjustments net of tax	–	–	–	(4.4)	–	–	–	(4.4)
Actuarial gain on defined benefit pension scheme net of tax	–	–	–	–	–	–	17.4	17.4
Cumulative foreign exchange losses recycled within net profit	–	–	–	8.6	–	–	–	8.6
Revaluation of available-for-sale securities	–	–	–	–	(0.4)	–	–	(0.4)
Revaluation of available-for-sale securities recycled within net profit	–	–	–	–	(44.4)	–	–	(44.4)
Adjustment of deferred tax from 30% to 28%	–	–	–	–	–	–	2.4	2.4
Issue of share capital	–	0.1	–	–	–	–	–	0.1
Purchase of own shares	–	–	–	–	–	–	(2.1)	(2.1)
Dividends	–	–	–	–	–	–	(375.9)	(375.9)
Debit in respect of employee share schemes	–	–	–	–	–	–	(1.4)	(1.4)
Profit for the year	–	–	–	–	–	(3.6)	315.1	311.5
At 31 December 2007	54.2	98.2	33.4	(0.3)	(0.6)	3.9	(202.1)	(13.3)
Exchange adjustments net of tax	–	–	–	18.7	–	–	–	18.7
Actuarial loss on defined benefit pension scheme net of tax	–	–	–	–	–	–	(5.5)	(5.5)
Revaluation of available-for-sale securities recycled within net profit	–	–	–	–	0.6	–	–	0.6
Loss for the year	–	–	–	–	–	(3.6)	(1.3)	(4.9)
At 31 December 2008	**54.2**	**98.2**	**33.4**	**18.4**	**–**	**0.3**	**(208.9)**	**(4.4)**

The reserves of subsidiary undertakings have generally been retained to finance their businesses.

Company	*Share capital £m*	*Share premium £m*	*Capital redemption £m*	*Equity component of convertible bond £m*	*Unrealised profits £m*	*Retained profits £m*	*Total £m*
At 1 January 2007	54.2	98.1	33.4	7.5	159.8	738.8	1,091.8
Issue of share capital	–	0.1	–	–	–	–	0.1
Share buy-back	–	–	–	–	–	(2.1)	(2.1)
Dividends	–	–	–	–	–	(375.9)	(375.9)
Debit in respect of employee share schemes	–	–	–	–	–	(0.1)	(0.1)
Loss for the year	–	–	–	(3.6)	–	(15.2)	(18.8)
At 31 December 2007	54.2	98.2	33.4	3.9	159.8	345.5	695.0
Loss for the year	–	–	–	(3.6)	(159.8)	(188.2)	(351.6)
At 31 December 2008	**54.2**	**98.2**	**33.4**	**0.3**	**–**	**157.3**	**343.4**

29 Cash generated from operations

Reconciliation of operating profit to cash generated from operations:

	Group		Company	
	2008 £m	2007 £m	**2008 £m**	2007 £m
Continuing operations				
Operating (loss) profit	**(9.1)**	23.1	**–**	0.3
Exceptional items	**69.4**	45.2	**–**	–
Operating profit before exceptional items	**60.3**	68.3	**–**	0.3
Depreciation and amortisation	**26.3**	28.5	**–**	–
Decrease (increase) in working capital	**4.2**	6.6	**(0.1)**	0.6
Other	**(0.6)**	(1.6)	**–**	(0.3)
	90.2	101.8	**(0.1)**	0.6
Net cash receipts (payments) in respect of exceptional items and provisions	**32.3**	(15.8)	**–**	–
Cash generated from operations	**122.5**	86.0	**(0.1)**	0.6

The net receipt in respect of exceptional items and provisions in 2008 of £32.3m primarily relates to the prior year element of the £59.1m VAT recovery net of the cash utilisation of provisions, including the settlement of the Group's lease obligation in relation to its remaining plant in the US.

30 Cash and cash equivalents

	Group		Company	
	2008 £m	2007 £m	**2008 £m**	2007 £m
Cash at bank and in hand	**40.4**	36.9	**–**	0.3
Current asset investments	**71.3**	35.2	**–**	–
Total cash	**111.7**	72.1	**–**	0.3
The analysis of total cash by currency is as follows:				
Sterling	**102.9**	64.4	**–**	0.3
Euro	**8.0**	7.5	**–**	–
Other currencies	**0.8**	0.2	**–**	–
Total cash	**111.7**	72.1	**–**	0.3

The fair value of cash and current asset investments equals their carrying amount as the impact of discounting is not significant.

For the purpose of the cash flow statements, cash and cash equivalents comprise the following at 31 December:

	Group		Company	
	2008 £m	2007 £m	**2008 £m**	2007 £m
Total cash	**111.7**	72.1	**–**	0.3
Bank overdrafts	**(6.9)**	(3.5)	**–**	–
	104.8	68.6	**–**	0.3

31 Disposal and acquisition of business

Acquisition

During 2008 the Group paid £3.8m in deferred consideration primarily in relation to the acquisition of its two casinos in Belgium in 1998 following settlement of a legal case with the vendor.

Disposal

There were no disposals during 2008. During 2007 the Group completed the sale of Hard Rock which resulted in an exceptional profit of £352.7m before related financing and taxation costs of £37.3m. A reconciliation of the net proceeds from sale is included in the table below:

	2007 £m
Property, plant and equipment	107.3
Intangible assets	6.6
Inventories	12.8
Trade and other receivables	19.6
Investments	52.1
Deferred tax	15.0
Trade and other payables	(30.9)
Other provisions	(4.2)
Net assets disposed	178.3
Profit on disposal before tax and finance costs	352.7
Other related costs and provision utilisation	6.2
Cumulative foreign exchange losses recycled within net profit	8.6
Cumulative revaluation of available-for-sale securities recycled within net profit	(44.4)
Sales consideration	501.4
Sales proceeds less related costs	502.7
Net cash disposed	(6.5)
Borrowings and lease obligations disposed	5.2
Sales consideration	501.4
Sale proceeds less related costs	502.7
Net cash disposed	(6.5)
Net proceeds from sale of business per cash flow	496.2

32 Employees and directors

(a) Employee benefit expense for the Group during the year

	2008			2007		
	Continuing £m	Discontinued £m	Total £m	Continuing £m	Discontinued £m	Total £m
Wages and salaries	**138.9**	–	**138.9**	138.4	11.3	149.7
Social security costs	**15.0**	–	**15.0**	14.5	1.5	16.0
Other pension costs	**3.5**	–	**3.5**	5.2	0.2	5.4
Share-based payments	–	–	–	(1.6)	–	(1.6)
	157.4	–	**157.4**	156.5	13.0	169.5

The Company has no employees. The directors of the Group are paid by a subsidiary undertaking.

Discontinued relates to costs within Hard Rock up until the date of disposal in 2007.

32 Employees and directors continued

(b) Average monthly number of employees by segment

	2008	2007
Mecca Bingo	**3,596**	3,824
Top Rank España	**592**	636
Grosvenor Casinos	**3,160**	3,316
Rank Interactive	**176**	152
Shared services	**197**	211
Other	**31**	30
Total continuing operations	**7,752**	8,169
Hard Rock	**–**	1,150
Total discontinued operations	**–**	1,150
Total	**7,752**	9,319

(c) Key management compensation

	2008 £m	2007 £m
Salaries and short term employee benefits	**3.9**	3.8
Termination benefits	**0.8**	–
Post employment benefits	**0.4**	0.5
Share-based payments	**(0.2)**	0.1
	4.9	4.4

Key management is defined as the directors of the Group and the executive committee. Further details of the executive committee are set out on page 33. Details of the remuneration of each director are set out in the remuneration report on pages 41 to 46 which form part of these financial statements.

(d) Directors' interests

The directors' interests in shares of the Company, including options to purchase ordinary shares under the terms of the Group's Executive Share Option Scheme, and conditional awards under the Long-Term Incentive Plan, are detailed in the remuneration report. Details of options to subscribe for ordinary shares of the Company granted to or exercised by directors in the year ended 31 December 2008 are also detailed in the remuneration report.

(e) Total emoluments of the directors of The Rank Group Plc

	2008 £m	2007 £m
Aggregate emoluments	**2.4**	1.8
Aggregate gains made on Deferred Share Bonus Plan	**–**	0.1

There were no gains on the exercise of share options by directors in either year.

No director accrued benefits under defined benefit pension schemes in either year.

Further details of emoluments received by directors are included in the remuneration report. The 2007 comparatives include amounts in respect of former directors who resigned in 2007.

33 Share-based payments

During the year ended 31 December 2008, the Company operated the Save-As-You-Earn ('SAYE') share option scheme, the Executive Share Option Scheme ('ESOS') and the Long-Term Incentive Plan ('LTIP'). Details of these schemes are included in the remuneration report on pages 41 to 46.

The number and weighted average exercise prices ('WAEP') of, and movements in, each of the share option arrangements (SAYE and ESOS) during the year are shown below, together with the weighted average share price ('WASP') at the date of exercise where applicable:

	Outstanding at 1 Jan 2008	Granted during 2008	Exercised during 2008	Expired during 2008	Forfeited during 2008	Outstanding at 31 Dec 2008	Exercisable at 31 Dec 2008
ESOS							
Number of shares	**4,878,595**	**–**	**–**	**(82,872)**	**(3,154,233)**	**1,641,490**	**345,774**
WAEP	**268.60p**	**–**	**–**	**336.27p**	**284.68p**	**243.99p**	**263.07p**
WASP	**–**	**–**	**–**	**–**	**–**	**–**	**–**
SAYE (3 year)							
Number of shares	**2,659,923**	**–**	**–**	**(6,439)**	**(107,052)**	**2,546,432**	**–**
WAEP	**158.37p**	**–**	**–**	**268.00p**	**167.26p**	**157.72p**	**–**
WASP	**–**	**–**	**–**	**–**	**–**	**–**	**–**
SAYE (5 year)							
Number of shares	**1,292,759**	**–**	**–**	**(21,306)**	**(45,724)**	**1,225,729**	**–**
WAEP	**171.60p**	**–**	**–**	**215.09p**	**173.20p**	**170.78p**	**–**
WASP	**–**	**–**	**–**	**–**	**–**	**–**	**–**

	Outstanding at 1 Jan 2007	Granted during 2007	Exercised during 2007	Expired during 2007	Forfeited during 2007	Outstanding at 31 Dec 2007	Exercisable at 31 Dec 2007
ESOS							
Number of shares	11,812,842	–	–	(255,158)	(6,679,089)	4,878,595	2,182,933
WAEP	272.62p	–	–	365.33p	270.44p	268.60p	277.75p
WASP	–	–	–	–	–	–	–
SAYE (3 year)							
Number of shares	2,653,687	1,944,256	(21,210)	(313,322)	(1,603,488)	2,659,923	13,711
WAEP	206.60p	139.00p	230.75p	268.00p	192.32p	158.37p	222.56p
WASP	–	–	201.92p	–	–	–	–
SAYE (5 year)							
Number of shares	1,431,167	753,405	(16,771)	(112,711)	(762,331)	1,292,759	18,803
WAEP	209.42p	139.00p	210.85p	239.16p	199.53p	171.60p	233.23p
WASP	–	–	191.47p	–	–	–	–

The share options outstanding at the year-end have the following range of exercise prices and expiry dates as follows:

	Outstanding at 31 December 2008			Outstanding at 31 December 2007		
	Exercise prices (range)	Weighted average remaining contractual life	Number of shares under option	Exercise prices (range)	Weighted average remaining contractual life	Number of shares under option
ESOS	**187.50p–320.33p**	**7.4 years**	**1,641,490**	155.25p–338.72p	6.9 years	4,878,595
SAYE (3 year)	**139.00p–268.00p**	**3.0 years**	**2,546,432**	139.00p–268.00p	3.0 years	2,659,923
SAYE (5 year)	**139.00p–268.00p**	**4.2 years**	**1,225,729**	139.00p–268.00p	4.1 years	1,292,759

33 Share-based payments continued

The estimated fair values for each of the ESOS and SAYE awards granted were calculated using a Black-Scholes pricing model with the inputs detailed below. The fair value of the LTIP was calculated using a Monte Carlo model approach, and indicates the proportion of shares likely to vest. For grants made subject to an EPS performance condition, the expense is based on expectations of these conditions being met, which are reassessed at each balance sheet date.

There have been no ESOS or SAYE awards granted during the year and no ESOS awards granted during 2007.

	2008	2007
Risk-free interest rate (%)	**n/a**	4.95%
Expected life of award – LTIP	**3 years**	3 or 4 years
Expected life of options – SAYE	**n/a**	3 or 5 years
Expected share price volatility (%)	**n/a**	27.51%
Expected dividends expressed as a dividend yield (%)	**n/a**	3.47%

The expected life of the ESOS was based on management's best estimate of the exercise pattern of option holders taking into account exercise restrictions and behavioural considerations. The expected life of the LTIP and SAYE are determined by the performance period and savings terms respectively.

The expected share price volatility was determined by calculating the historical volatility of the Group's share price over the four calendar years prior to each grant.

The expected dividend growth is based on historical dividend payments in the year prior to grant, expressed as a percentage of the weighted average share price for that year. As such, this is based on historical data and does not necessarily indicate future dividend policy.

The weighted average fair value per share of awards granted during the year was as follows:

	2008	2007
LTIP	**78.75p**	195.50p
SAYE (3 year)	**n/a**	48.25p
SAYE (5 year)	**n/a**	52.88p

There was no impact on Group profit from accounting for share-based payments in accordance with IFRS 2 (2007: credit of £1.6m).

National Insurance contributions are payable by the Company in respect of some of the share-based payments. These contributions are payable on the date of exercise based on the intrinsic value of the share-based payments, and as such are treated as cash-settled awards. The Group has recorded liabilities at the end of 2008 of £0.2m (2007: £0.2m) of which £nil was in respect of vested grants.

34 Retirement benefits

The Group operated the Rank Pension Plan ('the Plan'), a defined benefit plan for UK employees, until 27 June 2008 when it was transferred to Rothesay Life (an FSA regulated insurance company and wholly owned subsidiary of Goldman Sachs). The Plan had been closed to new entrants since 2000. The Group's other pension arrangements include the Rank Group Stakeholder Pension Plan which replaced the Rank Money Purchase Pension Scheme in 2006. The Rank Money Purchase Pension Scheme is currently being wound up. The schemes are externally funded and the funds' assets are held separately from Group assets.

In respect of the Rank Pension Plan, the accounting period was extended to 30 June 2008 to take account of the transfer of all assets and liabilities to Rothesay Life. The Plan accounts have been reported on by their auditors without qualification.

In respect of the Rank Money Purchase Pension Scheme, accounts to 5 October 2007 included the transfer of all member liabilities to individual Section 32A policies and have been reported on by the Scheme auditors without qualification.

Defined benefit plan

The Plan was a defined benefit scheme with pensions fixed by reference to final pay and length of service. On 27 June 2008 the Group completed the transfer of the assets and liabilities of the Plan to Rothesay Life. The transfer secured the accrued benefits for the members of the Plan and removed all financial risks and liabilities in relation to the Plan from the Group. Further details of the resulting loss on transfer are disclosed in note 4.

34 Retirement benefits continued

Defined benefit plan continued

Formal actuarial valuations of the Plan were carried out at least triennially by an independent actuary, Mercer Human Resource Consulting Limited. The most recent valuation was undertaken as at 5 April 2007.

The actuarial valuation of the Plan was updated by an independent actuary to the date of transfer.

Details of the Plan's assets and liabilities under IAS 19 were:

	2008 £m	2007 £m	2006 £m	2005 £m	2004 £m
Assets	–	740.8	711.0	636.5	556.4
Liabilities	–	(610.1)	(635.2)	(674.7)	(587.5)
Net defined benefit pension asset (liability)	–	130.7	75.8	(38.2)	(31.1)

Change in plan assets

	2008 £m	2007 £m
Fair value of plan assets at beginning of year	740.8	711.0
Expected return on plan assets	20.3	42.1
Actuarial losses	(1.2)	(7.7)
Total actual return on plan assets	19.1	34.4
Employer contributions (includes benefits paid and reimbursed)		
– Section 75 contribution	–	4.6
– Other	2.3	19.3
Member contributions	0.6	1.3
Benefits paid (by fund and Company)	(18.6)	(29.8)
Settlement on transfer of the Plan	(744.2)	–
Fair value of plan assets at end of year	–	740.8

Change in benefit obligation

	2008 £m	2007 £m
Benefit obligation at beginning of year	(610.1)	(635.2)
Current service cost	(0.7)	(4.3)
Past service cost	(1.0)	–
Interest cost	(16.7)	(31.6)
Plan members' contributions	(0.6)	(1.3)
Actuarial (losses) gains	(6.5)	32.5
Curtailment gain	10.5	–
Benefits paid	18.6	29.8
Settlement on transfer of the Plan	606.5	–
Benefit obligation at end of year	–	(610.1)

Components of pension cost

	2008 £m	2007 £m
Current service cost	0.7	4.3
Amortisation of prior service cost	1.0	–
Total pension charge recognised in operating profit in the income statement	1.7	4.3
Interest cost	16.7	31.6
Expected return on plan assets	(20.3)	(42.1)
Total pension credit recognised in financing in the income statement	(3.6)	(10.5)
Total pension credit recognised in the income statement	(1.9)	(6.2)

34 Retirement benefits continued

Statement of recognised income and expense ('SORIE')

	2008 £m	2007 £m	2006 £m	2005 £m	2004 £m
Actuarial gains and losses immediately recognised:					
Experience gains and losses	–	–	39.7	–	63.8
Changes in assumptions	(6.5)	32.5	11.5	(75.9)	(44.3)
Actual return less expected return in assets	(1.2)	(7.7)	6.9	60.1	10.1
Section 75 contribution	–	–	24.0	–	–
Total pension (expense) credit recognised in the SORIE before taxation	(7.7)	24.8	82.1	(15.8)	29.6
Taxation	2.2	(7.4)	(17.4)	2.4	(8.6)
Total pension (expense) credit recognised in the SORIE	(5.5)	17.4	64.7	(13.4)	21.0

The cumulative amount of gains and losses recognised in the SORIE before taxation was £113.0m (2007: £120.7m).

Plan assets
The weighted average asset allocations at the year-end were as follows:

	2008		2007	
Investment category	Market value £m	Expected return % p.a.	Market value £m	Expected return % p.a.
Equities (UK and overseas)	–	–	210.4	5.7
Government bonds	–	–	125.2	4.5
Non-Government bonds	–	–	188.8	5.7
Insured pensions	–	–	11.7	5.7
Cash	–	–	204.7	5.5
Total	–	–	740.8	5.4

To develop the expected long-term rate of return on assets assumption set at 31 December 2007, the Company considered the current level of expected returns on risk free investments (primarily Government bonds), the historical level of the risk premium associated with the other asset classes in which the portfolio is invested and the expectations for future returns of each asset class. The expected return for each asset class was then weighted based on the actual asset allocation to develop the expected long-term rate of return on assets assumption for the portfolio. Over the course of 2007, the Plan's investment strategy changed and a series of derivatives were implemented to remove risk within the portfolio. The value of the derivative instruments were contained within the asset values at 31 December 2007 and reflected in the expected return for 2008. Following the transfer of the Plan in 2008 no assumptions are applicable for the Group going forward.

Assumptions used to determine benefit obligations at:

	2008 % p.a.	2007 % p.a.
Yield – pre retirement	–	5.7
Yield – post retirement	–	5.7
Price inflation	–	3.4
Salary growth	–	4.6
Pension increases	–	3.4

Weighted average assumptions used to determine net pension expense for year ended:

	2008 % p.a.	2007 % p.a.
Discount rate	5.7	5.1
Expected long-term return on plan assets	5.4	5.9
Rate of compensation increase	4.6	4.2

Mortality tables used to determine benefit obligations at:

	2008	2007
Current pensioner	–	PA92 (YOB) mc
Active/preserved member	–	PA92 (YOB) mc

34 Retirement benefits continued

Defined contribution scheme

During the year to 31 December 2008 the Group contributed a total of £1.8m (2007: £0.9m) to its defined contribution scheme. There were no significant contributions outstanding.

Other pension commitment

The Group has an unfunded pension commitment relating to three former executives of the Group. At 31 December, the Group's commitment was £2.5m (2007: £2.6m). The Group paid £0.1m (2007: £0.1m) in pension payments during the year.

Assumptions used to determine the obligations at:

	2008 % p.a.	2007 % p.a.
Discount rate	6.3	5.7
Pension increases	2.5	3.4

The mortality table used to determine the obligation was the PA92 (YOB) mc with a 1.5% p.a. minimum improvement (2007: PA92 (YOB) mc).

35 Lease commitments

Operating lease agreements where the Group is lessee

The Group has entered into commercial leases on certain properties, plant and items of machinery. These leases have durations of between under one year and over 100 years.

Future minimum rentals payable under non-cancellable operating leases are as follows:

Group	2008 £m	2007 £m
Not later than one year	40.2	41.7
After one year but not more than five years	145.0	155.1
After five years	323.6	381.2
	508.8	578.0

	2008 £m	2007 £m
Total future minimum sub-lease payments expected to be received under non-cancellable sub-leases	62.0	67.0

Finance leases where the Group is a lessee

The minimum lease payments under finance leases, together with the present value of the net minimum lease payments, are as follows:

	Minimum lease payments		Present value of minimum lease payments	
Group	2008 £m	2007 £m	2008 £m	2007 £m
Not later than one year	1.7	1.9	0.7	0.9
After one year but not more than five years	6.5	6.8	3.2	3.2
After five years	13.4	15.2	9.5	10.5
	21.6	23.9	13.4	14.6
Less future finance charges	(8.2)	(9.3)		
Present value of minimum lease payments	13.4	14.6		

	2008 £m	2007 £m
Total future minimum sub-lease payments expected to be received under non-cancellable sub-leases	2.5	2.7

36 Capital and other financial commitments

	Group 2008 £m	Group 2007 £m
Contracts placed for future capital expenditure not provided in the financial information	1.3	1.2

Contracts placed for future capital expenditure primarily relate to property, plant and equipment.

37 Contingent assets

The Group has lodged a claim for the repayment of VAT alleging that the tax treatment of gaming machines was inconsistently applied and therefore breached the European Union's principle of fiscal neutrality. In August 2008, the VAT and Duties Tribunal ruled that from November 2003 at least, the VAT treatment of certain types of gaming machine was inconsistent with the European Union's principle of fiscal neutrality. The claim may be worth as much as £26m plus interest, depending on certain factors still to be determined. This is an interim decision and a second stage is due to be heard at the VAT and Duties Tribunal in October 2009. HMRC are expected to appeal any adverse tribunal decision and final resolution may take a number of years.

The Group is considering the House of Lords decision in the Conde Nast/Fleming cases on the applicability of the three year cap that HMRC introduced to limit VAT reclaims and whether the transitional provisions were acceptable. The court found that the transitional provisions were incorrect and therefore companies now have until the end of March 2009 to lodge claims that were previously disallowed under the three year cap. Rank is investigating a number of potential claims under this ruling. The details necessary to support any claim are currently being compiled but it is not possible at this time to quantify the total number and value of the claims.

The Group has not recognised any gain in its financial statements at 31 December 2008 in respect of the above items.

38 Contingent liabilities

Group

On 10 November 2008 the Group received £59.1m in overpaid VAT from HMRC, following the VAT & Duties Tribunal's ruling in May 2008 that the application of VAT to some games of interval bingo contravened the European Union's principle of fiscal neutrality. HMRC has appealed the ruling of the Tribunal and this appeal is scheduled to be heard in March 2009. If HMRC are successful on appeal they are entitled to recover this amount from Rank plus interest from the date of payment until the date of repayment. A net gain has been recognised on receipt of the payment as disclosed in note 4.

The Group is facing legal proceedings in the US brought by Paramount Home Entertainment. The case alleges that Deluxe Media (a discontinued business) breached a "most favoured nation" pricing obligation contained in a duplication agreement guaranteed by Rank. The claim is being vigorously defended as Rank does not accept any breach of obligation and the case is expected to go to court in June 2009. Provision has been made for the legal costs associated with the claim but no provision has been made for the damages claimed, which are a maximum of US$29m including pre-trial interest.

Company

	2008 £m	2007 £m
Guarantees of advances to subsidiary undertakings	166.6	215.1

No security has been given in respect of any contingent liability.

39 Related party transactions

Group

On 27 June 2008 the Group completed the transfer of the assets and liabilities of the Rank Pension Plan ('the Plan'), a defined benefit scheme, to Rothesay Life (an FSA regulated insurance company and wholly owned subsidiary of Goldman Sachs). As part of the transfer the Group received £3.7m to cover expenses which the Group has agreed to pay on behalf of the trustees. The balance of costs still to be paid at the reporting date was £0.3m.

Prior to the transfer the Group recharged the Plan with the costs of administration and independent pension advisers borne by the Group. The total amount recharged, in addition to the £3.7m disclosed above, in the year ended 31 December 2008 was £0.3m (2007: £2.2m).

Company

The following transactions with subsidiaries occurred in the year:

	2008 £m	*2007 £m*
Interest payable	**43.7**	28.6

During the year, Rank Group Finance Limited, a subsidiary of the Company, provided additional cash funding to the Company of £6.3m. The funding was primarily used to finance interest payments of £6.5m. Full details of how the funding was utilised are disclosed in the Company cash flow statement on page 52.

40 Post balance sheet events

The convertible bonds disclosed in note 21 matured in January 2009 and were redeemed at par value from cash and existing bank facilities.

41 Principal subsidiaries

Except where otherwise stated, The Rank Group Plc owns directly or indirectly 100% of the ordinary share capital and voting rights of the following companies. All subsidiary undertakings are included in the consolidation.

The principal operations are carried out in the country of incorporation as indicated below.

The companies all have a 31 December year end.

The Group comprises a large number of companies and it is not practical to list all of them below. The list therefore includes those companies which the directors consider principally affect the consolidated results or financial position of the Group. Particulars of all Group companies will be annexed to the next Annual Return submitted to the Registrar of Companies.

Gaming	*Country of incorporation*	*Principal activities*
Grosvenor Casinos Limited	UK	London and provincial casinos
Mecca Bingo Limited	UK	Social and bingo clubs
Rank Holding España SA	Spain	Owns the Group's investments in Top Rank España
Rank Group Gaming Division Limited	UK	Owns the Group's investments in its UK Gaming companies and provides Gaming shared services
Blue Square Gaming (Alderney) Limited	UK	Interactive gaming
Holding and other companies		
Rank America, Inc.	USA	Owns the Group's residual investments in the US
Rank Group Finance Plc*	UK	Funding operations for the Group
Rank Leisure Holdings Limited	UK	Owns the Group's investments in the UK operating subsidiary undertakings and Rank Overseas Holdings Limited
Rank Overseas Holdings Limited	UK	Owns the Group's investment in Rank Holdings (Netherlands) BV and Rank America, Inc.

* Directly held by the parent company.

Five year review

Year ended 31 December

	2008 £m	2007 £m	2006 £m	2005 £m	2004* £m
Continuing operations					
Revenue	**522.2**	534.4	549.6	529.8	787.6
Operating profit before exceptional items	**60.3**	68.3	73.2	90.5	136.1
Exceptional items (charged) credited against operating profit	**(69.4)**	(45.2)	53.7	(12.1)	(41.5)
Group operating (loss) profit	**(9.1)**	23.1	126.9	78.4	94.6
Total net financing charge	**(17.0)**	(16.0)	(34.0)	(62.6)	(30.9)
Share of post tax loss of joint ventures	–	–	–	–	(0.5)
(Loss) profit before taxation	**(26.1)**	7.1	92.9	15.8	63.2
Taxation	**6.2**	(12.4)	21.6	(0.7)	(3.2)
(Loss) profit after taxation from continuing operations	**(19.9)**	(5.3)	114.5	15.1	60.0
Discontinued operations	**15.0**	316.8	4.5	(223.6)	(74.3)
(Loss) profit for the year	**(4.9)**	311.5	119.0	(208.5)	(14.3)
Adjusted earnings per share	**7.3p**	7.4p	4.6p	5.4p	12.7p
Basic (loss) earnings per ordinary share	**(1.3)p**	72.4p	19.9p	(33.6)p	(2.5)p
Basic earnings per ordinary share before exceptional items	**6.5p**	7.7p	11.8p	7.7p	23.5p
Total dividend (including proposed) per ordinary share	–	2.0p	6.0p	15.3p	14.6p
Group funds employed					
Intangible assets and property, plant and equipment	**362.8**	358.2	377.0	659.1	829.4
Investments	–	0.1	0.5	45.1	55.3
Defined benefit pension asset (liability)	–	130.7	75.8	(38.2)	(35.3)
Disposal groups	–	–	197.5	303.0	31.2
Provisions	**(56.3)**	(80.4)	(54.1)	(42.1)	(36.4)
Other (liabilities) assets (net)	**(84.4)**	(105.0)	(74.2)	(19.4)	197.6
Total funds employed at year-end	**222.1**	303.6	522.5	907.5	1,041.8
Financed by					
Ordinary share capital and reserves	**(4.4)**	(13.3)	75.3	156.7	391.3
Minority interests	–	–	–	11.4	8.7
	(4.4)	(13.3)	75.3	168.1	400.0
Net debt (see note 24)	**226.5**	316.9	447.2	739.4	641.8
	222.1	303.6	522.5	907.5	1,041.8
Average number of employees (000s)	**7.8**	9.3	19.0	24.3	25.2

* The 2004 comparative includes Hard Rock and US Holidays in continuing operations.

Shareholder information

A wide range of information for shareholders and investors is available in the Investors & Press area of the Rank Group website: **www.rank.com**

Ordinary shares

There was a total of 390,529,314 ordinary $13^{8}/_{9}$p shares in issue at 31 December 2008, which were held by 21,208 shareholders.

Share price information

The latest information on the Rank ordinary share price is available in the Investors & Press area of the **www.rank.com** website. Closing share prices for the previous business day are quoted in most daily newspapers and, throughout the working day, time-delayed share prices are broadcast on the text pages of the principal UK television channels.

Capital gains tax

For the purpose of calculating UK capital gains tax on a disposal of ordinary shares in the Company held since 31 March 1982 (including shares held in the predecessor company, The Rank Organisation Plc), the price of the Company's ordinary shares at that date was 190p per share. This price should be adjusted for the effects of the rights issue in January 1990, the enhanced share alternative in July 1993, the sub-division and consolidation of shares in March 1994, the enhanced scrip dividend in March 1998, and the 18 for 25 sub-division and share consolidation (aligned with the 65p special dividend payment) which took place in March 2007. More information regarding these adjustments is available on the **www.rank.com** website.

Share-dealing services

The sale or purchase of shares must be done through a stockbroker or share-dealing service provider. The London Stock Exchange provides a 'Locate a broker' facility on its website which gives details of a number of companies offering share-dealing services.

For more information, please visit the Investor Centre (>Tools) page at **www.londonstockexchange.com**

Rank has also arranged a panel of low-cost providers, details of which can be found on the Shareholder Services pages within the Investors & Press area of the Company's website: **www.rank.com**

Please note that the directors of the Company are not seeking to encourage shareholders to either buy or sell shares. Shareholders in any doubt about what action to take are recommended to seek financial advice from an independent financial adviser authorised pursuant to the Financial Services and Markets Act 2000.

ShareGift

Shareholders with a very small number of shares, the value of which may make it uneconomical to sell, may wish to consider donating them to charity through ShareGift, a registered charity administered by The Orr Mackintosh Foundation.

Further information about ShareGift is available at **www.sharegift.org** or by writing to:

ShareGift
17 Carlton House Terrace
London SW1Y 5AH
Tel: 020 7930 3737

Shareholder security

Shareholders are advised to be wary of any unsolicited advice, offers to buy shares at a discount, or offers of free reports about the Company. Details of any share-dealing facilities that the Company endorses will be included in Company mailings or on our website. More detailed information can be found at **www.moneymadeclear.fsa.gov.uk**

Shareview

The Shareview portfolio service from the Company's registrar gives shareholders more control of their Rank shares and other investments, including:

- direct access to data held for them on the share register, including recent share movements and dividend details;
- a recent valuation of their portfolio; and
- a range of information and practical help for shareholders, including how you can elect to receive communications electronically.

It is easy and free to set up a portfolio – shareholders will just need the shareholder reference printed on their proxy form or dividend stationery. Please visit the following website for more details: **www.shareview.co.uk**

2009 financial calendar

23 April	Annual general meeting and interim management statement
31 July	Interim results announcement
October	Interim management statement
December	Pre-close trading update

Frequently asked questions

We have a shareholder 'frequently asked questions' section on our website which provides answers to many questions that shareholders have:
www.rank.com/investor/shareholders/faqs

Registrar

All enquiries relating to shareholdings, dividends and changes of address should be addressed to the Company's registrar (quoting reference number 1235), Equiniti Limited, Aspect House, Spencer Road, Lancing, West Sussex BN99 6DA (Tel: from the UK 0871 384 2098 and from outside the UK +44 121 415 7161). There is a text phone available on 0871 384 2255 for shareholders with hearing difficulties. Calls to both of the UK numbers are charged at 8p per minute from a BT landline. Other telephony provider costs may vary.

For any other information please contact:

Frances Bingham, company secretary
Dan Waugh, director of investor relations

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Glossary

Financial terminology

EBITDA
Earnings before interest, tax, depreciation, amortisation and exceptional items

Like for Like
Excludes bingo clubs and casinos not open for a full 12 months in 2007 and 2008

Revenue
Income retained by Group after deductions for VAT and players' winnings

Share consolidation
A reduction of a company's shares in issue, often associated with a capital return

Special dividend
A one-time distribution of funds to shareholders

KPI terminology

Active customers/members
Unique customers visiting a bingo club or casino or operating an online or telephone betting account in the 12-month period

Admissions
Individual customer visits to bingo clubs and casinos

Operating margin
Operating profit expressed as a percentage of revenue

Spend per visit
Revenue divided by admissions

Tax and regulatory terminology

Amusement machine licence duty (AMLD)
An annual duty payment relating to gaming machines. The rate of duty payable varies according to machine category

British Gambling Prevalence Survey 2007
Study of the prevalence of gambling in Great Britain, conducted between September 2006 and March 2007

Category B1 gaming machine
Gaming machine with maximum stake of £2 and maximum prize of £4,000

Category B2 gaming machine
Gaming machine with maximum stake of £100 and maximum prize of £500

Category B3 gaming machine
Gaming machine with maximum stake of £1 and maximum prize of £500

Category B4 gaming machine
Gaming machine with maximum stake of £1 and maximum prize of £250

Category C gaming machine
Gaming machine with maximum stake of 50p and maximum prize of £35

Comisión Nacional del Juego
The governing body for the gambling industry in Spain

The 2005 Act
The Gambling Act 2005 is the primary piece of legislation governing gambling regulation in Great Britain

The 1968 Act (Gaming Act 1968)
Previously the primary piece of legislation governing gaming regulation in Great Britain (principally casino, bingo and gaming machines). The 1968 Act was superseded by the 2005 Act

GamCare
A charitable organisation that provides counselling to those with gambling-related problems

Gambling Commission
The governing body for all sectors of gambling in Great Britain, with the exceptions of the National Lottery and spread betting

HMRC
Her Majesty's Revenue & Customs

Responsibility in Gambling Trust (RIGT)
A charity that funds treatment, education and research related to problem gambling

Gaming industry terminology

Adult gaming centre
A gaming machines arcade

Interval games
An automated game of bingo played in a licensed club

Main stage bingo
A traditional game of bingo played in a licensed club

Pari-mutuel gaming
Gaming where players compete with each other to win prizes. The house may take a fee for organising the game but does not participate actively. Also called 'player-to-player' gaming

Remote betting and gaming
Gambling services offered to customers via the internet and mobile phone

Section 21 gaming machines
A gaming terminal played under Section 21 of the 1968 Gaming Act. No longer permitted under the 2005 Act

Server based gaming machines
Electronic gaming machines where games may be loaded via an internet connection

Sportsbook
The provision of betting on events of undetermined outcome, principally in sports

White label agreement
An agreement to provide interactive gambling services to customers, marketed under a third-party brand

FSC
Mixed Sources
Product group from well-managed forests and other controlled sources
www.fsc.org Cert no. TT-COC-002228

The Forest Stewardship Council (FSC) is an international network which promotes responsible management of the world's forests. Forest certification is combined with a system of product labelling that allows consumers readily to identify timber-based products from certified forests.

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The Rank Group website provides news and details of the Group's activities, as well as useful links. The investor section contains a variety of information including the Group's latest results and current and historic share prices.

For further information and to view an online version of this annual report visit: www.rank.com